

THE INDONESIAN QUARTERLY

Current Events

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Towards Re-Examining the Non-Intervention Principle
in ASEAN Political Co-operation
The Rupiah -- One Year After the Float
Overcoming the Current Economic Downturn

Review of Political Development

Indonesia in Transition: Government Responses to the Reform Demands
in the State of Uncertainty

Articles

Democratization, Human Rights Issues, and the Political Role of NGOs in Indonesia
Responses of the Young Elite of *Nahdlatul Ulama* to the State and
Ideology of the New Order
The International Monetary Fund and Implications of the 1997-1998
Negotiations with Indonesia
Regional Peacekeeping in West Africa: Lessons for Southeast Asia
Social and Economic Consequences of International Labour Migration



The Quarterly

The Indonesian Quarterly is a journal of policy oriented studies published by the Centre for Strategic and International Studies (CSIS), Jalan Tanah Abang III/23-27, Jakarta 10160. It is a medium for research findings, evaluations and views of scholars, statesmen and thinkers on the Indonesian situation and its problems. It is also a medium for Indonesian views on regional and global problems. The opinions expressed in *The Indonesian Quarterly* are those of their authors and do not necessarily reflect the opinion of the CSIS.

The Logo



To better represent the underlying ideas that gave birth to the CSIS in 1971 the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, designed by G. Sidharta, it consists of a disc with an engraving that depicts the globe which serves as a background to a naked man with an open book laid on a cloth over his lap, his left hand pointing into the book, his right hand raised upwards. Altogether it symbolises the Centre's nature as an institution where people think, learn and communicate their knowledge to whoever are interested, to share it with them, mankind the world over being their concern and the globe their horizon. The nakedness symbolises the open-mindedness, the absence of prejudice, in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads "*Nalar Ajar Terusan Budi*", which in the Javanese language essentially means that to think and to share knowledge are only the natural consequence of an enlightened mind. It is a *surya sengkala*, that is *chandra sengkala*, a Javanese traditional way to symbolise a memorable year in the lunar calendar, adapted to the solar calendar system. It consists in using words that express the perceived meaning of the commemorated year while marking the year at the same time, each word having a numerical value. Thus, the inscription, in reverse order, represents the year the CSIS was established: 1971.

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The Indonesian Quarterly is published in January, April, July and October.

SIT

01381/SK/Dirjen PG/SIT/72

ISSN

0304-2170

THE INDONESIAN QUARTERLY

VOL. XXVI, NO. 3, THIRD QUARTER, 1998

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Current Events

Preparing ASEAN for the Twenty-First Century*

M.R. Sukhumbhand Paribatra

A FEW years ago, no one thought that the task of preparing ASEAN for the twenty-first century would be a difficult one. To be sure, with globalization in full force and prospects of even more rapid and far-reaching technological and social changes ahead, many considered the beginning of the new millennium something of a *terra incognita*. But this was not perceived to be a problem. After all, ASEAN was strong and expanding, and was the 1990s not supposed to be a dream decade for the association?

For, as the world underwent remarkable transformations in the late 1980s and the early 1990s, the region was perceived to be a major beneficiary of change. Of course, certain problems proved intractable, but the trends towards peace and prosperity were seen to be strong, resilient and irreversible. Southeast Asians -- "tigers", "tiger cubs", "aspiring tigers" and all -- began to sharpen their teeth, fangs and claws, preparing to feed on the succulence of the coming "Pacific Century".

Before 1997 optimism was the orthodoxy. Then, the ranks of the high priests on this orthodoxy were indeed impressive, comprising no less than most of the region's expert economists and top government officials, the World Bank, the IMF, the Asian Development Bank, and Western investment advisors and rating agencies. If anyone had dared to predict that 1997, the thirtieth anniversary of ASEAN, would be an *annus horribilis* or the first of many *anni horribiles* for the region's economies, he or she would have been accused of heresy or ignorance or both.

Since mid-1997 there has been a dramatic reversal of fortune. Now, at the dawning of the new millennium, as financial crises and sharp economic downturns started and spread, pessimism and uncertainty abound in the region. The *terra incognita* of the twenty-first century suddenly seems dark and foreboding.

In the past, successful economic performance was, and was perceived to be, a necessary condition of national and regional resilience for the ASEAN countries. These, in turn, were seen as the foundations of Southeast Asia's peace, security

* Delivered at the Dinner hosted by Institute of Southeast Asian Studies at the Traders Hotel, 31 July 1998.

and well-being. Moreover, rapidly expanding economics also enabled ASEAN to have a greater role in the councils of nations, becoming an increasingly influential diplomatic community in the conduct of regional and international affairs.

Financial and economic crises in 1997-98 have brought about uncertainty in a number of ways: uncertainty regarding South-east Asia's economic prospects, both immediate and in the longer term; uncertainty regarding individual regional states' national resilience; uncertainty regarding regional states' relationships with external powers, particularly the U.S., China and Japan; and uncertainty regarding the ASEAN countries's collective capacity and will both to deal with regional issues of common concern and to maintain unity amidst adversity.

With this uncertainty comes the possibility of region-wide turmoil. As Thailand's Minister of Foreign Affairs, Dr. Surin Pitsuwan, said at the Manila ASEAN Regional Forum (ARF) in July 1998, if the present trends are not reversed, they "will gain momentum and fury ..., leading to possible violence, rebellions, instability and insecurity. The entire region could be engulfed in turmoil of another entirely new security dimension. I believe what we are facing now is nothing less than a total war, total insecurity".

To prepare itself for the twenty-first century, ASEAN must not be distracted or disheartened by uncertainty. In moments of crisis, there are always temptations to seek unilateral salvation. Individual policies and measures, of course, have to be decided upon and carried out. But it

would be suicidal for ASEAN if it would succumb to such temptations.

Unilateral salvation will divide ASEAN's resources at the very time when it needs to mobilize and utilize them in the same direction for a common purpose. It will increase the region's vulnerability to external factors, be they international market forces, policies of major economic actors or trends and changes in other corners of the world. And by eroding the virtue and habit of collaboration, it will constrain or retard regional co-operation in the longer term. ASEAN must resist these temptations.

To overcome the present crises, ASEAN must muster its scarce resources together as best as it can. As Foreign Minister Surin also said on the same occasion, ASEAN must treat the predicament as a moral equivalent of war, to give ASEAN collaboration the kind of urgency and quality of alliance needed at this critical juncture.

ASEAN must go full steam ahead in implementing all the decisions it has reached regarding financial and economic co-operation, ranging from the Manila Framework for Enhanced Asian Regional Co-operation to Promote Financial Stability, to ASEAN Free Trade Area (AFTA), ASEAN Investment Area (AIA), ASEAN Industrial Co-operation Scheme (AICO) and liberalisation of the services sector. ASEAN must pool all its strengths, skills and experiences as a diplomatic community, to press for constructive changes in international regimes, particularly those related to international financial movements and the currency trade, to help ensure that the architecture of these regimes, largely designed and built in the aftermath of the Second

World War, can provide greater comfort and security against the *Sturm und Drang* of globalization on the advent of the twenty-first century.

ASEAN must make the existing partnerships and mechanisms of co-operation involving its friends and allies, both big and small, even more effective, and also look for new venues of co-operation. Here, it is most encouraging that the July 1998 Manila ASEAN Post-Ministerial Conferences agreed to accept Thailand's proposal to establish an ASEAN-PMC Caucus on Social Safety Nets. Banks, financial institutions and private entrepreneurship, especially small and medium-sized firms, must be strengthened and given opportunities for recovery. But ASEAN countries must also alleviate the burden that has fallen upon those least able to help themselves, namely the young, the poor, the unemployed and the uneducated, and prepare them for a better future.

And, while attempting to cope with the economic and social problems directly caused by the present crises, ASEAN countries must continue to address other issues of common concern, even in a more urgent and concerted manner than before. Environmental degradation, drugs, trafficking of women and children, and different forms of transnational crimes are the scourges of contemporary societies, which are wont to get worse during times of turmoil. The logic of our financial and economic predicament demands that scarce resources are not wasted in individual efforts, but utilized more wisely in collaboration with friends and neighbours.

Crisis by definition is a situation posing clear and present dangers. Yet, ASEAN

must be resolute in transforming the present financial and economic crises into opportunities, opportunities for accelerating co-operation with one another or, to use the latest ASEAN phraseology, opportunities for enhancing interactions with one another, to help the ASEAN countries bring about economic recovery and prepare themselves better for the challenges of the twenty-first century.

The same crises should also be seen as a wake-up call. Since the beginning of the 1980s, the peoples in ASEAN have been used to success. Their ways of managing intra-mural differences, the demonstration of their political will and wisdom at critical moments, their economic performances, and their ability to act as a diplomatic community of increasing influence, have earned ASEAN global admiration as the most successful regional organization outside Europe, a fit model for the Third World to follow.

Given the unstable and dangerous situation prevailing in Southeast Asia in the late 1960s and the 1970s when wars, conflicts and tensions were salient features of regional life, ASEAN has indeed come a long way, and therefore fully deserve this accolade. Yet, there is no place for complacency. ASEAN must engage in a process of self-renewal, where and when necessary, to ensure that ASEAN remains a vibrant, relevant and effective institution of regional co-operation. Collective or individual self-renewal is necessary for the ASEAN countries to address two challenges in particular.

The first is the **challenge of regional interdependence**. The outbreak of the ASEAN

countries' financial and economic crises, together with the "haze" problem, demonstrated the growing interdependence in the region. Close co-operation is imperative for members of this emerging "regional village". So is a fundamental attitudinal change.

As the region becomes more interdependent, the dividing line between domestic affairs on the one hand and external or transnational issues on the other is less clear. Many "domestic" affairs have obvious external or transnational dimensions, adversely affecting neighbours, the region or the region's ties with others. The financial and banking systems, the environment, drugs, diseases, unemployment, ethnic or religious conflicts, and political or military developments of a certain nature, come easily to mind. In such cases, the affected countries should be able to express their concerns in an open, frank and constructive manner.

It is absolutely essential that there should be continued commitment to non-interference as the cardinal principle for the conduct of relations, not only among the ASEAN countries, but also among members of the international community. But this commitment cannot and should not be absolute for the emerging "regional village" that is ASEAN. It must be subjected to reality tests. The reality is that there are cases where the chains of cause and effect stretch across national and geographical divides, cases where the points of origin of the problems are in one country and the consequences thereof in another. The reality is that such cases cannot be considered internal to one country, demanding "hands-off" policies on the part of others. The reality is that in such cases absolute

commitment to the principle of non-interference would be absolutely unrealistic, defying both reason and logic.

Given these realities, such commitment should be **flexible**. For reasons of realpolitik the ASEAN countries must take and articulate more active interest in one another's affairs in as far as these affairs affect their own security and well-being. Far from being a divisive factor, this attitudinal change can help promote the cause of ASEAN regionalism in the longer term. It can help provide an early-warning system to alert one another of the gravity of certain domestically generated transnational or international problems, as well as policy options to facilitate the pooling of scarce resources for addressing such problems. This is the rationale underlying Thailand's "Flexible Engagement Approach".

In the ASEAN Annual Ministerial Meeting (AMM) in Manila in July 1998, for good reasons the foreign ministers were not comfortable with the term "Flexible Engagement". But discomfort with labels is one thing, the reality of the situation is another. It can be argued that there emerged in Manila a consensus which reflected the prevailing realities, a consensus that, while commitment to the principle of non-interference should be kept firmly in place, ASEAN must also be prepared to address all issues affecting the members' security and well-being.

The second challenge which ASEAN must address is the **challenge of societal change**. In the first two decades of the twenty-first century all Southeast Asian countries are likely to undergo far-reaching economic and social changes. Economic growth, rapidly expanded education, and

integration with various global systems will make all societies more knowledgeable and pluralistic, harbouring an increasingly wide range of expectations. One of these expectations is participation.

In the context of change, all Southeast Asian countries' domestic political agenda are likely to expand. If history is any guide, sooner or later they will include such questions as: individual rights and civil liberties; human dignity and community interest; political legitimacy and accountability of governance; rights to political participation and to better livelihood; and freedom from arbitrary rule, religious persecution and certain forms of social and economic exploitation.

Societal change is perhaps the greatest, most complex challenge that Southeast Asians have to face in the first two decades of the twenty-first century. Thailand's experiences in the 1970s and the Philippines' in the 1980s suggest that failure to address this challenge can lead to conflict, instability, and violence. To address this challenge, there must be self-renewal, both individual and collective, on the part of the ASEAN countries.

One way to achieve self-renewal is through political reform. Thailand has succeeded in its quest. It took Thais a long time and they had to undergo many troubled periods before they reached this point. Now they have come to accept that political reform is a necessity. It is a necessity, both as a means of adjustment to and accommodation with newly emerging societal demands and as a means of bringing about what can be called politically sustainable economic growth over the longer term.

Political reform means the strengthening of the fundamentals for good governance. These include measures to increase accountability, to promote transparency, and to open up the political system in order to expand the processes of political participation and decision-making. Through good governance, the gap between the governing and the governed can be bridged to ensure that the direction and substance of political leadership are consistent with and responsive to societal demands. Good governance can also eliminate the kind of corruption and secrecy, which in the past served private interests rather than public causes and have precipitated grave errors in our policies and macro-economic management. As expressed by Thailand's Prime Minister Chuan Leekpai in an address before the Council on Foreign Relations in New York City in March 1998, "clean politics is wise politics". These words must be the inspiration for and the objective of the Thai political reform process.

The present financial crisis and economic downturn have brought terrible pains and losses. There are good lessons to be learned and this reversal of fortune presents an opportunity to put our political house in order, so as to enhance the quality of our decision-making and to ensure protection of public interest. However, the process of self-renewal through political reform is not sufficient to address the challenge of societal change in Southeast Asia in the first two decades of the new century. Also needed is "development with a human face".

The direction of political, social and economic development in the region must serve, not only efforts to bring about na-

tional and regional resilience or security, but also the causes of civil society and the dignity of the human person. A group of "fellow citizens of Southeast Asia" has adopted a statement of vision on a future Southeast Asian community back in August 1996, entitled "*Towards a Southeast Asian Community: A Human Agenda*". The statement advocated, as a national and regional priority, a program of agenda, directly aimed at providing the human person with physical and material well-being, dignity and justice, opportunities for education and advancement, and a way of life which can be based upon traditional institutions and values and can be led in harmony with nature and other cultures.

Such a conception of development corresponds fully with a key objective of the "ASEAN Vision 2020", adopted at the Second ASEAN Informal Summit in Kuala Lumpur in December 1997, which called for a regional community of caring societies. Their vision is of vibrant and open ASEAN societies, where all the citizens enjoy equal access to opportunities for further development, regardless of their gender, race, religion, language, or social and cultural background; their vision of a socially cohesive ASEAN, where the civil society is empowered, with special care given to the disadvantaged, the disabled, and the marginalized; and their vision of a community governed with the consent and participation of the people, with a focus on the welfare and dignity of the individual as well as the general good of the society.

The ASEAN leaders' adoption of "ASEAN Vision 2020" demonstrates that ASEAN is on the right track towards the

kind of collective self-renewal through "development with a human face", which is necessary for addressing the challenge of societal change. Indeed, as ASEAN prepares for the twenty-first century midst unforeseen crises and uncertainty, "ASEAN Vision 2020" is likely to assume increasing relevance.

In the first two decades of the new millennium, as pluralism spreads in the region, as grassroots aspirations and expectations rise to the forefront of individual regional states' national agenda, the implementation of this "ASEAN Vision 2020" is likely to make ASEAN regional co-operation even stronger. The Association will have the potential for development into a grassroots-based community, joined together by common interests, shared values, and an emerging sense of regional identity.

There must be no turning back. All those who endorsed "ASEAN: Vision 2020" have the moral responsibility of contributing to the realization of the vision both in letter and in spirit. However, to make a full contribution to the ASEAN of the future, all those members who have adopted the Vision statement must now reappraise, modify or discard political arrangements and policy directions, which over the longer term only serve to make their societies less caring, less open, less generous of opportunities for the development of all citizens, and less protective of the welfare and dignity of the individual, especially if in the short term these political arrangements and policy directions carry with them high risks of political confrontations which will adversely affect neighbours and friends.

Towards Re-Examining the Non-Intervention Principle in ASEAN Political Co-operation*

Carolina G. Hernandez

Introduction

GLOBALIZATION, the process of opening up the economy to the global market through the free movement of the factors of production, has also opened up societies and politics to the outside world. Not only are factors of production flowing relatively more freely across national boundaries, but also ideas, values, culture, and other elements of human life. Societies and politics can no longer be effectively insulated from the opening of markets and the entry of new ideas and values affecting the way we govern our families, communities, and societies. No longer are nation states able to maintain their monopoly of the sources and kinds of information that penetrate their societies. Neither are they able to preserve as effectively as before the structures and norms of political governance which they have maintained for decades. Advances in telecommunication and transportation technologies have hastened the various dimensions of this process immensely.

Political co-operation is only one dimension of ASEAN co-operation, economic, functional, and security co-operation being the other dimensions. In the earlier part of its history, ASEAN focused on political, economic, and functional co-operation, with security co-operation being downplayed for fear that ASEAN might be misperceived as a military alliance. Relations with its dialogue partners were focused on development assistance in the economic and functional realms characterized by the classic donor-donee relations. With the rise of key ASEAN economies as either dragon or tiger economies in the 1980s, this relationship transformed into a more equal sort of partnership where relations were centered more on trade and investments, with functional co-operation continuing to be an important part of the package.

Political co-operation, on the other hand, tended to lie more in the development of codes of conduct of interstate behavior, rather than in specific programs or overt actions. The Treaty of Amity and Co-operation underscores the principles of self-restraint that ASEAN countries exercise in the conduct of their relations with each other, as well as with non-ASEAN countries. Among these are equality, respect for national sovereignty and territorial boundaries, peaceful settlement of

* Prepared for the ISEAS 30th. Anniversary Conference on Southeast Asia in the 21st. Century: Challenges of Globalization, 30 July - 1 August 1998, Singapore.

disputes, and non-intervention in the domestic affairs of other countries. These principles were also extended to other ASEAN documents governing relations with each other in more specific issues such as the ASEAN Declaration on the South China Sea.

Political co-operation also took the form of shelving contentious issues that have caused tension and conflict in the past. They believe that attempting to solve these issues at a premature time can only create more tension and conflict. It is best to put them temporarily in the backburner, seek more feasible areas of co-operation for mutual benefit, and return to these divisive issues at the proper time. Among these issues are territorial and border disputes, such as those over Sabah between Malaysia and the Philippines, and Sipadan and Ligitan between Indonesia and Malaysia.¹ Moreover, they chose to settle conflicts and disagreements through bilateral negotiations, rather than through the ASEAN-wide mechanism for dispute settlement, the High Council, provided for in the Treaty of Amity and Co-operation in the belief that resort to this mechanism could only exacerbate conflict.

Political co-operation also took the form of co-operative action to limit the ability of armed insurgents to do damage to their own government, or to prevent them altogether from launching successful armed action against the established authorities. The Philippines and Thailand complain-

ed about the alleged assistance provided by Malaysian local authorities in the border areas between Thailand and Malaysia, and in Sabah to Muslim separatist groups. Malaysia took steps to put an end to the problem.

In the past, political co-operation also took the form of serving as interlocutor for some partner government vis-à-vis other regional groupings or mediator between armed insurgents and their own government. Indonesia served as interlocutor for the Philippines in the Organization for Islamic Co-operation (OIC) and mediator between the Philippine government and the Moro National Liberation Front (MNLF). Their combined efforts led to an agreement to establish a transitional Southern Philippine Council for Peace and Development (SPCPD) that would initiate and implement program for peace and development in Southern Philippines. The hope is that the SPCPD would be able to create a constituency for peace and development that would opt for a permanent end to armed separatism in Muslim Mindanao.

As a group, ASEAN also embarked on an unprecedented collective action to put an end to the civil war in Cambodia and secure the withdrawal of Vietnamese troops from Cambodian territory. It was a key player in the United Nations International Conference on Cambodia that brought to international attention the violence in that country, called for an end to it, and crafted a package that would lead to peace and reconstruction. ASEAN's informal leader, Indonesia, led the process called the Jakarta Informal Meetings (JIM), culminating in the Paris Peace Accord of 1991. Several ASEAN member states par-

¹Indonesia and Malaysia recently agreed to bring this dispute to the International Court of Justice, a sign of a more relaxed attitude to have extraregional mechanisms settle their outstanding disputes.

ticipated in the UN peacekeeping operations under the umbrella of the United Nations Transitional Authority in Cambodia that presided over the transition and the elections in 1993. Unfortunately, the coalition government did not hold and First Prime Minister Prince Norodom Ranariddh was ousted in a coup in July 1997. This violent overthrow of a duly elected official also cost for Cambodia its full membership in ASEAN at the 30th. ASEAN Ministerial Meeting in Subang Jaya, Malaysia in July 1997.

ASEAN appointed a troika consisting of the Foreign Ministers of Indonesia, Thailand, and the Philippines to effect a resolution of Cambodia's domestic political problem. Together with the Friends of Cambodia, the troika worked to have a compromise agreement adopted where the exiled Prince Ranariddh would be tried, then pardoned, allowed to return to Cambodia, and to contest the elections. On 26 July 1997, elections were held in which Hun Sen, Prince Ranariddh, and Sam Rainsy were the leading protagonists. In the spirit of political co-operation, ASEAN pursued, together with its key dialogue partners, a policy of constructive or flexible intervention (not just engagement) in Cambodia to assist in the achievement of domestic peace and reconstruction.

Implications of Globalization for ASEAN Political Co-operation

What does globalization imply for ASEAN political co-operation? Has globalization altered the context of ASEAN co-operation that would warrant a re-examination of ASEAN's ways of doing things?

The Asian financial meltdown that led to socio-economic and political crisis for many countries in East Asia, has forced a majority of ASEAN states to consider deepening its co-operation by recognizing the need for a regional financial monitoring mechanism. Industrialization further fueled by globalization has also made clearer the nexus between environmental protection and the sustainability of growth. The emergence of transboundary problems, such as environmental pollution exemplified by the haze of "smaze"² produced by the forest fires in Indonesia, has also forced some ASEAN governments to call for a re-examination of the policy of non-intervention in the domestic affairs of another country.

Thailand and the Philippines both urged their associates in ASEAN to adopt a "flexible engagement" policy vis-à-vis countries whose internal problems spill over into their borders, including political refugees, environmental pollution and various forms of transnational crime. The initiative was also prompted by the perceived lack of progress in Burma where ASEAN pursues a policy of constructive engagement. There the ruling junta continues its confrontational and repressive policy vis-à-vis the opposition. The "flexible engagement" approach would mean a relaxation of the principle and policy of non-intervention in the domestic affairs of another country that has governed ASEAN internal and external relations in the last three decades. At the 31st. AMM in Manila held in July 1998, this became a central issue in the agenda. After much heated

²The term is a Filipino shorthand for smoke and haze created by the forest fires in Indonesia.

debate, the ministers agreed to disagree, whereby members can pursue a policy that calls upon other members whose domestic situation creates problems for their neighbors to set their own houses in order. They decided to call the policy -- one of "enhanced interaction".

A Case for Re-Examining the Non-Intervention Principle

There are at least four reasons why the principle of non-intervention in ASEAN's code of conduct should be re-examined. Globalization is only one of them. The *first* has to do with the concept of security as understood in ASEAN. Security has been seen as comprehensive, where military or defense from external aggression is only one dimension. Its other dimensions are economic, political, social, cultural, etc. These dimensions are seen as interconnected, where the economic affects the political, the military, the social, and other dimensions, and vice versa. Security also operates on many levels, from the domestic to the regional and the international. These levels are also interconnected. Thus, the call of ASEAN has always been for the promotion of national resilience by each member in order that regional security and stability might be achieved.

Given this meaning of security as understood in ASEAN, it would be very difficult indeed to build an artificial dividing line between the various dimensions of security and the levels in which they operate. Thus, one's economic problems that undermine political stability and social cohesion are likely to spill beyond the na-

tional border and affect its neighbours. Illicit activities conducted across the border also create immense problems. These can take the form of economic or political refugees, the contagious effect of financial crisis, environmental pollution, drug trafficking, and others that can create comprehensive security problems for its neighbours.

The *second* reason for a re-examination of the principle of non-intervention is timely has to do with globalization itself. This process has made national borders even more permeable than ever before, societies more sensitive to external developments, and more vulnerable to decisions made elsewhere. The permeability of national borders has led to the thinking that the nation state is on the retreat, after the fashion of the main arguments in Kenichi Ohmac's *The End of the Nation State: The Rise of Regional Economies*. Hence, globalization pushes states to become even more concerned about the domestic problems of their neighbours that impact beyond the national borders and undermine the well-being of others. Political cooperation in ASEAN is being shaped by globalization through the increasing concern about the impact of domestic events on the neighbours. Hence, there arises the need for "enhanced interaction", "flexible engagement", "constructive intervention", or "constructive involvement". Neither non-intervention nor constructive engagement appears to be sufficient to cushion the impact of globalization in one country upon another, as the Asian financial meltdown suggests.

The *third* reason for a re-examination of the non-intervention principle is related

to, but different from globalization. ASEAN was established 31 years ago for the purpose of building a community of peace and prosperity in Southeast Asia through various forms of co-operation. This condition was thought not only to enable the region to insulate itself from being drawn into superpower competition, but also to allow its members to concentrate their limited resources to the tasks of economic development and nation building. They needed a temporal space within which they hoped to manage, if not resolve the many challenges of economic development and nation building. Most of them succeeded in achieving these tasks, although their achievements are at risk of being unraveled due to the unforeseen impacts of economic success and the unsustainability of certain forms of political governance amidst rapid economic growth.

The region and the world in 1967 were markedly different from today. The external and domestic imperatives that shaped the form and structure of ASEAN co-operation have since undergone fundamental changes. In order to remain relevant and effective, it is time that ASEAN members undertake a re-examination or re-interpretation of the basic principles that underpinned co-operation in the past and have served them so well and so successfully in the past. Other international institutions and mechanisms are also under pressure to transform themselves to suit the demands of a changed and rapidly changing world.³ If ASEAN remains the same, it is likely to find itself increasingly irrelevant by

its members and its external partners. Such an eventuality is not in the collective and individual interest of its members, small and medium-sized states that except for Indonesia, cannot have an influential role and a forceful voice in regional and international affairs without being part of a multilateral mechanism such as ASEAN. This is also contrary to the history of ASEAN which, despite its tendency "to make haste slowly" was able to undertake incremental changes to suit new situations. Witness the institutionalization of the regular summit of heads of state, their informal summits between the formal ones, the establishment of the ASEAN Secretariat, and the evolution of the Secretary General from head of this secretariat into the Secretary General of the Association with a ministerial rank. Witness the transformation of ASEAN from a small and closely-knit group of non-communist states into almost a Southeast Asia-wide grouping of both non-communist and communist states, and the transformation of the dialogue relations from like-minded to unlike-minded states in the few short years of the 1990s. Witness the leadership ASEAN took in providing the Asia Pacific region with a transitional political-security dialogue mechanism to include all the relevant actors in the region's security environment because the ASEAN Post-Ministerial Conference was no longer seen as adequate to meet the changing times. ASEAN has changed and will change for as long as it remains important to its individual members.

The *fourth* and final reason why it is timely to re-examine the non-intervention principle is to make ASEAN more honest

³I am grateful for this insight to Professor Robert A. Scalapino.

and credible. ASEAN's ability to continue playing an important regional role is a function of both its cohesion and its credibility. Its cohesion is being tested by the multifarious challenges posed to it by the speed of its enlargement, both internal and external. It took 17 years (from 1967 to 1984) for ASEAN to grow from the original five members to six, another 12 years (1984 to 1996) to grow to seven, but only a year to grow to nine. But for the coup in Cambodia, ASEAN would have been ten countries by 1997. Similarly, ASEAN dialogue partners grew rapidly during the last four years, compared to the first 20 years of its external relations.

The rapid expansion of the last few years meant that the socialization process into the ASEAN way would be hastened for the new members, not to mention the increased diversity (or fault lines, if you wish) of an enlarged ASEAN in terms of levels of socio-economic development, political ideology and regimes, history of external relations especially with the great powers in the region, perceptions of external security, and others. These diversities would make for greater difficulty in promoting ASEAN cohesion and in developing a coherent policy vis-à-vis its key dialogue partners, such as the European Union, the United States, Japan, and of late, China.

There can also be a negative impact of the crisis on the new members' expectations of ASEAN. They appear to be more dependent in their economic relations with the old members, especially in trade and investments, who now, due to the economic crisis are no longer in a position as they were prior to July 1997 to make real con-

tributions to the new members' socio-economic development goals. The latter may look elsewhere, outside of ASEAN, to fulfill the goals they thought can be realized within ASEAN, as old members become increasingly pulled towards an inward-looking policy of putting priority in their recovery from the crisis and in its consequent impacts on other dimensions of domestic life, including pressures for social and political change. Elsewhere could mean going to China, whose perceived dominant influence over Myanmar, was a major strategic consideration for the latter's precipitate admission into ASEAN in July 1997. Then, an overriding concern that drove some ASEAN members towards this policy of enlargement would not be averted.

Thus, because ASEAN cohesion may no longer be taken as a given in the face of its enlargement and its reduced capacity and influence due to the crisis, its credibility becomes even more important. ASEAN cannot be credible if it is not honest. And ASEAN cannot be honest if it does not acknowledge that it and its members have intervened in the domestic affairs of their neighbours in the past. Cambodia is a prime example of this intervention. Some of the more self-confident and influential leaders in ASEAN have also intervened in the domestic affairs, including political, of their less wealthy and less powerful neighbours, by providing unsolicited advice on their neighbour's political system. The Philippines has also sought the constructive intervention of Indonesia in the resolution of Muslim separatism in Southern Philippines. This history of ASEAN involvement in the domestic affairs of other countries shows that the

principle of non-intervention has not been all that sacrosanct in ASEAN behavior. By embracing the "flexible engagement" approach, ASEAN can be more honest, and therefore, more credible.

Concluding Thoughts

There is no doubt that the path towards a re-examination of the principles that underpinned ASEAN co-operation in the past, including the principle of non-intervention in other's domestic affairs will be long, tortuous, and winding. Yet, taking this path may be the only way towards maintaining its relevance, achieving its goals of building a community of peace and prosperity in Southeast Asia, and as such, playing its important regional and international role in a responsible and credible fashion.

In re-examining the principle of non-intervention, ASEAN need not give up other features of the ASEAN way -- loss of face can still be avoided by "quiet diplomacy" and a non-confrontational stance in bringing domestic problems in another country to the attention of its leaders can continue. Besides, parameters within which it is acceptable and legitimate to act according to "flexible engagement" or "constructive involvement" in the domestic affairs of another can be established in a manner that continues to respect the national sovereignty and territorial integrity of each country. For example, situations that have transborder effects on the comprehensive security of others can be an operational criterion in this regard. In the end, transforming itself in accordance with prevailing realities could be a boon to ASEAN political co-operation both in its internal and external relations.

The Rupiah -- One Year After the Float*

J. Soedradjad Djiwandono

Introduction

IT remains somehow not very clear as to what have actually been the causes of the unprecedented depreciation of the rupiah currency in such a short period. It seems to even be less

clearer if one wants to get an answer on the question of what would be its fate in the near future, what would be the "equilibrium level" of its rate in terms of dollar or other currencies. Most people want to see the rupiah rate strengthening, but at what level and how could it be achieved are more difficult questions to answer.

*Address delivered at a luncheon organized by The Indonesia-Australia Business Council, Jakarta, 11 August 1998.

Nevertheless, one cannot get to the core of the problem of the dramatic collapse of

the rupiah rate without analyzing it in a wider context of the economic and social as well as political crisis which has been confronting Indonesia in the last more than a year. By looking at how the crisis has actually been evolving and by identifying the origin of the crisis and the steps taken by the government in coping with the problems and their implications, a better understanding about the actual problem could then be attained. This will, hopefully, shed some lights on the rupiah problem for a better understanding about its future prospect.

From Currency Problem to Crisis

It has been widely mentioned that the Asian crisis stands out as one of the major crisis of the century, especially for those countries which are experiencing the turmoil. The impact of the crisis has been so devastating that -- even pessimists acknowledge that -- it has been worse than their expectations. Indonesia, Thailand, and South Korea have been suffering more than others. It is certainly true that, among the three Indonesia has been suffering most.

If one looks at the process of how events in the Indonesian economy evolving from being economic to become political crisis, it is clear that the Indonesian crisis resulted from an ordinary currency problem in which rupiah suffered from a sudden pressure in July 1997, following the weakening and the floating of the Thai baht in early July 1997. However, after some process of policy responses by the government and reactions from the market players, the problems have rapidly been spreading, and therefore affecting all sec-

tors of the national economy, before finally impacting politics.¹

Chronologically, the crisis could be traced back as follows:

- It started with the market pressure on the rupiah as part of the contagious effects originating from currency market imbalance in the region. Being under such a currency market pressure, the government, based on the current exchange rate management of managed floating and creeping depreciation, relying on a mechanism of intervention bands, which was adjusted continuously since 1994, took a decision to further widen the bands, from 8 per cent to 12 per cent on 11 July 1997 -- the day on which the Philippine peso was floated.
- The market reaction to Bank Indonesia move was contrary to the past pattern. In the previous experiences, every time the BI intervention bands were widened (5 times since 1994 up to 1997) an appreciation of rupiah usually followed. However, currently rupiah has been even rapidly depreciated. And when the spot rate was crossing BI selling rate, some interventions in the currency market were exercised.
- Since in the process the market pressure was not abating, Bank Indonesia

¹See, the article by J. Soedradjad Djiwandono about the development of the crisis, including the chronology of it in a paper *Banking System Soundness and Macroeconomic Management: The Recent Indonesian Experience*, for a symposium conducted by the IMF Office in Tokyo and the University of Kobe, "Towards the Restoration of Sound Banking System in Japan -- Its Global Implication", Kobe, 14 July 1998.

floated the rupiah in 14 August 1997. Interventions in both the forward and spot markets were conducted. Monetary tightening, through monetary and fiscal means, was undertaken after exercising market intervention.

- After Bank Indonesia intervened the market several times and exercised monetary tightening, the problems spread to include the banking sector, and the banking industry started to experience a great *distress*. And, as the problems continued, the confidence toward the banking sector started to decline, and the banking sector experienced the familiar process of *flight to quality and flight to safety*. A crisis of confidence started to appear, through the weakening of rupiah, tiering of the interbank money market, and losing of confidence from bank depositors and creditors.
- After some time, the real sector started to feel the impact since banks reduced their lending and lending rates rose dramatically. Banking sector experienced *crisis*, especially after the closing of the 16 insolvent banks. Thus, starting from currency shocks and crisis, followed by banking distress and crisis, finally the whole problem resulted in a total economic crisis.²

²Experts distinguish between banking distress, when a number of banks suffering insolvency problem, even though not liquidity problem, from banking crisis. Banking crisis is defined as a situation in which a significant group of banks have liabilities exceeding the market value of their assets, leading to runs and other portfolio shifts, collapse of some banks, and government intervention. Read, V. Sundararajan and Tomas J.T. Balino, eds., *Banking Crisis: Cases and Issues* (Washington DC: IMF, 1991), 3.

- The impacts of economic crisis to politics and social lives had almost become self-explaining when economic recession became a reality, social unrest broke out everywhere, and public confidence on the government and the national leadership was gone.

The Indonesian crisis could analytically be explained as originating from an external shock in the currency market, due to changes in market sentiment in the region that incited contagious effects. The shift in market sentiments was shown in rapid downgrading process of the sovereign ratings, and the disappearance of the terms "Asian miracle" to be replaced by "crisis", "chaos" and "meltdown". But, the most telling was the Institute of International Finance's publication on capital flows for Thailand, Malaysia, Indonesia, the Philippines, and South Korea, which have changed from inflows of \$93 billion in 1996 to outflows of \$12 billion in 1997. According to the World Bank report for the recent CGI meeting in Paris, capital flows for Indonesia during this period have shown a change from an inflow of \$10 in 1996/97 to an outflow of \$12 billion in 1997/98.

Confronted with the contagious effects, the national economy which have long been suffering from inefficiency in the real sector (a high cost or high ICOR economy, resulting from crony capitalism) and a weak financial system, banking in particular, could not cope with the shock, and through a contagious process the weakening of rupiah adversely affecting the financial sectors, including the real sectors. Thus, a combination of severe external shocks, triggered by changes in

market sentiments, and financial cum real sector structural weaknesses had caused a contagious process that ultimately severely damaging the whole economy. In a similar fashion, the spread from economic crisis to social and political crisis was arising through a contagious process, facilitated by weaknesses in the social and political system.

Coping with the Crisis

The initial government response to the problems was prompt, starting with an immediate step to widen the central bank intervention bands in the foreign exchange market on the same day the Philippine peso was floated, more than a week after the floating of the Thai baht. But, a completely different reaction came out from the market. In the previous instances, every time Bank Indonesia stretches the intervention bands -- 5 times since 1994 -- rupiah was appreciated. In fact, previously the dollar spot rate was very tightly close to Bank Indonesia buying rate. Rupiah was drastically depreciated after the band was stretched. It could now be said that, what happened in July 1997 was definitely different from the previous pressures in the currency market; it was, actually, the contagious effects in progress. This is basically what people meant by "the wake up call" explanation of the Asian crisis. Foreign market players decided to shift their investment out from the region after observing weaknesses in the economic structures of the region -- as a result of crony capitalism practices and the prevalent weak financial system.

Being under the persistent pressure on the rupiah, the government responded with market intervention by previously selling dollar in the forward, and later, in the spot markets. And when such an effort failed to strengthen the rupiah, Bank Indonesia discarded the system of managed floating, and floated the rupiah freely in mid August 1997. These were done by means of monetary tightening through interest rates policy, sterilization as well as of fiscal tightening. But, partly due to the monetary and fiscal tightening, the banking sector started to undergo a great distress. There was even a run on a number of banks.

Realizing that the problem had been spreading to the banking sector, in early September 1997 the government launched a broad economic policy, encompassing not just the monetary and fiscal measures, but also deregulation steps in the real sector. This was a precursor of an IMF-supported program which came later, at the end of October 1997.

The IMF-supported program initiated with the first letter of intent with a Memorandum on Economic and Financial Policies (MEFP), submitted to the Fund on 31 October 1997, included a package of policies for economic reform in the real sector and financial restructuring to be supported with prudent monetary and fiscal policy. The monetary and fiscal measures consisted of standard programs of macroeconomic management to cope with exchange rates and other monetary variables issues together with the fiscal ramifications.

The core of the program comprised a comprehensive policy package to deal

with insolvent and weak banks and the financial infrastructure, including the strengthening of banking supervision, and to overcome structural rigidities in the real sector of the economy. Thus, the policy framework was aimed to put in place a comprehensive policy in order to restore confidence and to prevent the Rupiah from being even more badly declining. In essence, the program covers three areas, namely:

- a strong macroeconomic framework designed to achieve an orderly adjustment in the external current account, and incorporating substantial fiscal adjustment as well as tight monetary stance;
- a comprehensive strategy to restructure the financial sector, including early closing of insolvent institutions; and
- a broad range of structural measures which also improve governance.

Initially, the implementation of the program received a positive response from the market, the external market in particular. The closing of 16 insolvent banks and the joint intervention in the currency market of Bank Indonesia together with the Monetary Authority of Singapore and the Bank of Japan were welcomed by the (external) market, and resulted in strengthening the rupiah and temporarily stabilized it at a stronger rate, from 3900 rupiah to 3200 rupiah to a dollar.

The domestic reaction on the closing of banks was, however, the reverse of what was expected. It was ironic that the step which was designed to turn the confidence back to the banking sector, resulted in the collapse of confidence and plunging the banking sector into chaos.

The banking sector suffered from "the flight to safety and to quality" since then. Many banks lost their deposit base, inter bank money market suffered from compartmentalization, and since January 1998, letters of credit issued by the Indonesian banks were denied abroad. The confidence problems in the national economy basically involve three areas; the rupiah rate which was weakening drastically against the dollar, the banking sector which was losing the deposit base as well as the creditors, and the business sector that was unable to repay foreign debts.

After some flip-flop implementation of the IMF-supported program with a record of four letters of intent in seven months, and the social unrest spearheaded by continuous students' demonstrations, the confidence problem was shifting to the national leadership, not just economic. When Soeharto was still in power, the question was on his sincerity in implementing the difficult program. Actually, the closing of the 16 insolvent banks was lauded by the market, foreign market in particular. But domestically the closing of banks was badly received. It was even causing further loss of confidence on the banking system. And when some interventions by the government on the execution of the decision on bank closure was suspected, the foreign market started to react negatively also. This had basically transformed the banking sector from a state of distress into crisis when market confidence was almost completely lost.

The negative reaction on the implementation of the program was more pro-

nounced when some reversal of decision on the rescheduling of a number of big government projects was announced plus the reappearance of monopoly practices and some other inconsistencies in the implementation of program for restructuring the real sector. This was how the market confidence on the government commitment to the program for economic restructuring evaporated. As a result, the rupiah slide downward was not just difficult to stop, but the economic crisis was rapidly shifting into total crisis in a downward spiraling process. Presiden Soeharto had to pay dearly for not addressing the problem straight by resigning in humiliation on 21 May 1998.

Almost three months after his unexpected elevation as the new President, Dr. Habibie has impressed many people as a national leader who has been trying very hard to do and say things that are politically correct. He has been making some success on this score. But, has he been successful in eliminating the loss of confidence in the national leadership to be able to lead the government and the nation to implement the national program of restructuring the economic and political lives in Indonesia? Yet, it seems unfair to raise this question at present. At the same time, there are still many problems currently experienced by Indonesia which cannot wait for the right solutions.

Despite the good image that President Habibie has performed so far, the market has not been impressed with his leadership. Economic problems have not been abating. In fact, statistics on macroeconomic indicators have shown

a gloomier picture in terms of the GDP growth prospect, the inflation rate, the budget deficit, the food and other basic commodities situation. The rupiah has been increasingly strengthened, possibly due to some encouraging news about the 8 billion dollar loan for fast disbursement from the CGI recently. But, the bad news from Japan and its implication for Asia, and the still unclear government position in dealing with some social issues, seem to have caused a lukewarm attitude of the market so far. Investors and creditors remain to wait for the social and politics to return to stability first before they are willing to invest in or lend to Indonesia. They trust the long term potential, but wait for some time before resuming their activities in Indonesia. In other words, despite the good public reception on some statements or steps that President Habibie has made recently, questions are still being raised whether he is sincere, or whether he could deliver the goods.

A Brief Look at A Somber Picture

After a year of distress and crisis, the Indonesian economy at present has not seen the light yet. Statistics of economic indicators are difficult to hold on because of so many uncertainties. However, some available macroeconomic indicators show a somber economic picture which promises to get worse before getting better. The turmoil in the last twelve months has resulted in a drastic slide down of almost all economic activities. Some data released recently by the Central Bureau of Statistics show that the economic contraction for the first semester of 1998, annualized, was

a little over 12 per cent. And for 1998 it will be more than 13 per cent. The inflation rate for 1998 will be more than 80 per cent, unemployment 17 per cent and the number of population living below poverty line will increase from 22 million to 80 million. The rupiah has been depreciated by more than 80 per cent since July last year, or more than 20 per cent since President Habibie took charge, while the budget deficit will be ballooning. The crisis has really been a hard strike to the Indonesian economy that, after a year, the economy has turned from continued high growth with stabilizing tendency into a slump.

The picture of the Indonesian economy at present is not very clear, confusing for many, and frustrating for those who are interested in contributing to finding solution to the pertaining problems. Indonesia has been suffering from a problem which initially was clearly a currency or an exchange rate problem, but as time goes by and through contagious process, it has become economic, social and political crisis. As mentioned before, the crisis experienced by the national economy in the past year has become ultimately complicated that one may have difficulty in separating the causes from the consequences. However, it is crucial to recognize the problems clearly before pursuing a program aimed to solve the problems effectively.

Some Prospects for Recovery

To get the economy back to normal, it is important to overcome the crisis first. However, to be able to get out from the crisis, it is also important to have a clear

picture of the whole problems, the link between one particular sector and the others, including politics. This does not mean that everything has to be done at the same time, since it is impossible to solve all the problems simultaneously. Some priority has to be made to find the path for recovery. Faced with a crisis originating from contagious process, time is the essence in which the sooner the better. The sooner the problems could be recognized, the better the expected program with good implementation would be. Hopefully, there will be a chance for success.

Granted that a promise for political reform could lead to some state of stability, economic program for recovery will have to include steps to deal with the following problems:

- Disciplined implementation of IMF-supported programs. With the four letters of intent, a much better understanding between the Government and the Fund seems to prevail. A commitment for no backsliding program implementation from the Government and more adaptable attitude from the Fund would be helpful.
- More consistent steps on the implementation of banking restructuring program, both for the insolvent, the weak and the healthy banks.
- Consistent follow-up steps on solution to corporate debts and banks' debts, including trade financing and money line facility.
- A fiscal and monetary stance which could support the restructuring programs without constraining stability.
- Steps to revive export and tourism activities. At the time that foreign in-

vestors are still taking the "wait and see attitude", campaigning for tourism does not have to wait.

These steps could be taken smoothly, provided that a progress has been made on addressing the more immediate problems of food supply and food distribution. The basic problem here is how to maintain the availability and affordability of key commodities important to the poor. With respect to the supply problems, the foreign commitments through the CGI and others have to be consistently implemented. But, on the distribution problems, the government has to realize the seriousness of the damage of the distribution system due to the burning, looting and raping, particularly against the Chinese.

The fact that so many ethnic Chinese fled the country, taking along their capital, has been very damaging to the distribution system, due to their prominent role in this business. Without the Government's assurance that their safety would be protected by the security forces, it seems to be unrealistic to expect them to come back and resume their businesses. The Government program of enhancing the small businesses and co-operatives will take time, if it is implemented effectively. Encompassing all potentials in a competitive market, a reservation scheme to create a better balance for more sustainable business climate in the future will not be a problem to design. But the linchpin of all the above issues is still the stability of the Rupiah at a reasonable rate.

Some progress has been made by the Government in coping with the pressing

problems, but the market remains to wait to make any positive move. This actually means that somehow "a turn around" still have to come before the market players -- the buyers, investors, and creditors -- are willing give to positive responses to the development of the Indonesian economy.

The positive response from the market has to be preceded by a positive perception, which has not come out yet. Positive perception will be very likely to come when market confidence is back. John Maynard Keynes showed us 62 years ago about the importance of confidence in an investment decision, aside from marginal efficiency capital. However, it is difficult to define what such a confidence really means. Indeed, market confidence is crucial. Confidence is very difficult to describe. People will only know how crucial it is when they do not have it. When the confidence is present, the market is not very demanding. But when it is lost, everything we do is not good enough; the market is truly extreme.

The turn around has to be produced by the Government by showing the market how the Government views the whole problems facing the country and a credible program to be implemented. This has to be done to get public support for the implementation of the program. The most important is to change the negative perception of the market -- another words to get rid of the confidence problem, to change the market's wait and see attitude -- to become positive. More importantly, a consistent implementation of the program, plus hopefully a touch of luck, are of necessity before the long path towards recovery could be assured.

Overcoming the Current Economic Downturn*

Ali Wardhana

IT has been slightly more than one year since the economic crisis began. While it may be too optimistic to say the storm has gone away, there is at least an emerging consensus on what needs to be done to get the Indonesian economy back on track. But to understand the policies that will restore the economy to some measure of health, there are some underlying weaknesses that need to be understood to have caused the crisis.

Single variable explanations are always suspect, but this is particularly true when the current economic crisis is looked upon. No one who has seriously reviewed the evidence can believe that a single, simple explanation will suffice. The economic meltdown, and one can hardly describe it differently, that has hit Indonesia, had multiple causes. Some were self-inflicted; others were external.

One popular explanation of the Asian crisis argues that runs on financial institutions and countries triggered the crisis and then helped spread it. The argument posits that a generalized run on financial institutions will severely disrupt economic activity by weakening the balance sheets of borrowers and creditors and by threatening the flow of credits, and hence the vi-

ability of the payments system.¹ In an open economy, such as Indonesia, a simultaneous run on the banks and on the currency weakens the balance sheets of borrowers who have failed to hedge the borrowed funds or have relied on short-term credits to finance long-term investments. And a run on one currency, such as was experienced in Thailand, will quickly raise doubts about the strength of other regional currencies, setting off an economic contagion. Thus, the *Baht-Rupiah* chain.

This explanation is not wrong, but it does not go far enough. Inherent in this explanation is the assumption that the Asian economies were "fundamentally sound" and that they could have continued to grow for a very long time were it not for an arbitrary shift in market expectations that interrupted the flow of funds.² What this explanation omits is any consideration of the weakness of our financial system. Much of the economic crisis had its roots in the serious and fundamental weaknesses of the Indo-

¹See for example, "Asia's Financial Crisis: Lesson and Policy Responses." Ramon Moreno, Gloria Pasadilla, and Eli Remolona. Working Paper PB98-02, Economic Research Department, Federal Reserve Bank of San Francisco (July 1998).

²See for example Jeffrey D. Sachs and Steven Radelet, "The Onset of the East Asian Financial Crisis." HIRD Development Discussion Paper (March 1998).

*Paper presented in the 1998 Capital Market Conference, 25 August 1998.

nesian financial system. In order to look forward to a serious and sustained recovery, this matter needs to be tackled in a forthright manner.

Among the external events, the sharp decline in the world oil price, the decline of the prices for other primary product exports, and the serious drought that plagued the agricultural sector last year would be listed. Consider, for example, that in July 1998 crude oil prices hit a nine-year low. Although export base has become increasingly diversified over the past decade, oil and gas exports still account for more than one-fifth of the total exports. The impact of the sharp fall in world energy prices weakened the balance of payments position and contributed to the current account deficit. Although less well known, Indonesia also suffered a substantial terms of trade shock in 1997. The world prices for a range of export items, including gold, copper, tin, coal, plywood and rubber, all declined sharply over the past year. By some estimates, if the world prices for eighteen major export commodities had remained unchanged in the first quarter of this year compared to the same period one year earlier, non-oil export growth would have been 18 per cent, rather than the officially recorded 12 per cent.

And the drought that affected large parts of Indonesia also had a major impact on the economy. Most obviously, it reduced agricultural output. Agricultural growth in 1997 fell to less than one per cent, sharply down from the 3 per cent growth recorded in 1996. The lower agricultural output, especially the decline in rice production, also fueled the initial run-

up in consumer prices. At least throughout the end of last year, the increase in food prices reflected the impact of the drought rather than the fall in the value of the rupiah.

Obviously, these external shocks alone would not have caused the severe collapse eventually experienced. But neither can it be neglected when seeking to explain not only the economic downturn but also the severity of the economic crisis in Indonesia relative to that of the neighbors. For that our internal weaknesses must be looked upon. Perhaps the most glaring of these are found in the financial institutions.

Some critics have suggested that the banking reforms adopted in the 1980s resulted in the establishment of "*too many banks.*" Leaving aside the issue of the number of banks, critics of banking reform have argued that with the sudden spurt in the number of banks, there was a shortage of adequately trained staff to carry out the necessary supervisory functions. As a result, the provisions of the banking laws were never effectively implemented. All of this may well be true, but the basic weaknesses of the financial system run deeper than that. There are two highlights.

First, Indonesia's financial institutions were encouraged to fund risky and unprofitable ventures. In a banking system, where state-owned banks play a significant role, bureaucratic interference is likely to be a serious problem. Government officials could, and did, direct loans to favored firms or activities. In addition, the close links between banks and some of the conglomerates further reduced the likelihood

that loans would be objectively evaluated. Even when government pressure was absent and when banks did not engage in intra-group lending, loans were rarely subjected to even the most rudimentary economic and financial analysis. In part, such analysis was handicapped by the absence of disclosure requirements and accounting standards that would allow analysts to make a reasonable estimate of risk. And in part, political pressure was exerted on bank regulators so that they would not report some of the most flagrant violations of the banking laws.

In such a situation, financial institutions fail in their most basic function: to serve as an efficient intermediary, channeling savings to their most productive use. It is of course true that all investments have associated risks. But when savers, whether domestic or foreign, have no real capacity to evaluate the risks, the real cost of capital will be undervalued and the returns on investment overstated. As a result, scarce funds will be allocated to low-return, high-risk activities.

Second, when neither investors nor lenders expect to bear the full cost of any failure, they will lower their guard against risky investments. This is what is meant by the term "*moral hazard*." Moral hazard describes a situation where, in the presence of a perceived implicit or explicit guarantee, there is little incentive to avoid risky behavior. It is true that the Government of Indonesia never extended any explicit guarantees against bank or corporate failures. But it is also true that the involvement of well-connected parties in many of the economic activities generated a feeling that, to quote a line from

a popular American movie, "*failure was not an option here*." Unfortunately, in the end, failure was very much an option here. Actions by government and the central bank further encouraged the belief that Indonesian banks would not be allowed to fail. Thus, when the government supported a recapitalization of Bank Duta in 1990, provided support to Bank Danamon to stem a bank run in 1991, and in 1994 made good the losses suffered by BAPINDO, it inadvertently suggested to all that banks would be protected from failure. As Paul Krugman recently noted, such implicit guarantees can trigger asset price inflation, reduce economic welfare, and ultimately make the financial system vulnerable to collapse.³

In a similar vein, the foreign exchange regime also encouraged risky behavior. Although Indonesia did not peg its exchange rate, as some other Asian countries have done, it did maintain a *managed float* within a relatively narrow band. Borrowers judged that the expected loss from currency depreciation was less than the cost of hedging their foreign borrowings. For many years this proved to be correct. The consequent mispricing of foreign credits contributed to the very large capital inflows and created vulnerability for firms with substantial foreign exchange exposure. When Indonesia was forced to abandon the managed float, the depreciation of the rupiah created unmanageable debt burdens that effectively bankrupted a substantial portion of the corporations.

³Paul Krugman, "*What Happened to Asia?*" Unpublished research paper (January 1998).

What policies will be allowed to overcome the crisis? And equally important, what policies must be avoided? Managing the impact of the economic crisis calls for a range of policies, but laying the foundation for recovery calls for a narrower set of actions. *First*, and most obvious, strengthening the financial institutions. While financial reform is often considered a long-run issue, in the current economic situation reducing the vulnerability of the financial sector is a short-run problem. Investor confidence cannot be restored until investors, foreign and domestic, are assured that the banking system is sound. If investors face the risk of a sudden and massive reduction in their financial wealth, it is obvious that they will be reluctant to invest money in Indonesia. But the problem is more complex. Having lost investor confidence, it is now important to be able to provide investors with assurances that the risk of a future financial crisis has been sharply reduced. This means establishing effective supervision of the banks and other financial institutions. The rules under which the banks should operate are well established in law. What is now needed is effective supervision that will ensure that the laws are impartially implemented and that those violations of regulatory rules will be publicly made and effectively dealt with. Lending must be based on a professional and objective assessment of costs and potential benefits, free of outside interference.

Second, measures that will mitigate moral hazard must be taken. Bank failures will occur and since bank failures have the potential of creating systemic risks, government cannot treat the failure of a financial institution as it would treat cor-

porate bankruptcy, an issue to be settled without government interference. But how government deals with problem banks is important. When banks are found to be in difficulty, prompt corrective actions are needed. Any delay in imposing disciplinary actions will only encourage banks to engage in desperate last minute actions to try to salvage a bad situation. Numerous examples provide ample evidence that such efforts create even greater risks and generally lead to larger losses.

It is also important that bank managers be made to bear a substantial part of the cost of bank failures. Even where government provides deposit insurance, so that depositors are given some protection against bank failures, bank owners and managers must be held strictly accountable. Bank owners and managers must lose their investment when banks fail. And finally, bank supervisors, in this case the staff of Bank Indonesia, must give a public accounting for the failure of banks under their supervision. While these steps will not eliminate the impact of moral hazard, they will sharply reduce it.

What actions should the government not take? There are two actions. *First*, the current crisis has unleashed a backlash against open capital accounts. Numerous arguments are being put forward for exchange controls. The question of whether capital controls were an effective exchange rate management tool had been laid to rest but it appears that it is wrong. The recent crisis has brought forth a variety of suggestions for capital controls, carefully tailored so that it will target only short-term capital movements that are assumed to be highly volatile.

This is understandable. But the evidence on the effectiveness of capital controls is weak. It is sometimes asserted that measures such as those employed by Chile, perhaps the most famous example of supposedly successful controls, can work to reduce the proportion of short-term and portfolio capital relative to long-term and equity investment. But a careful reading of Chile's experience suggests that such controls work only in the short-run, if they work at all. Over the longer term, capital controls have been shown time and time again to reduce the level of capital inflows, thus reducing investment and growth. They appear to have little effect on the real exchange rate or on the current account.⁴

Second, and not unlike the issue of bank supervision, Indonesia's capital markets must also become more transparent and better regulated. Companies wishing to be listed on the exchanges must adhere to international accounting standards. This will allow potential investors to have a reasonable basis by which they can evaluate the health of the company in which they are investing. Given the absence of sound, transparent, and internationally recognized accounting standards, investors will continue to rely on other indicators of likely success, including political connections and government support. If a capital market that will attract funds to productive investments were wished upon, it is important to ensure that the information needed for rationale decision making is

available. The economic crisis has damaged the corporate sector and the financial institutions. Most critically, the crisis has destroyed the confidence the markets had in the management of the economy. Confidence is hard to define until it is lost. Regaining the confidence of the international financial community will not be easy. But it must be done. Without a resurgence of confidence, a return of foreign capital, whether portfolio or direct investment will not be seen. Access to such funds provided critical inputs for the economy. Not only did the capital raise the possible level of investment but foreign capital often brought with it modern technology and management practices. The absence of such capital will reduce investment, and hence growth, and will retard the modernization of the economy. The answer is not to prevent capital inflows, but to ensure that the financial institutions and capital markets are capable of effectively mediating such capital.

No one should doubt the severity of the current economic crisis. Yet neither should anyone underestimate our capacity to set our institutions right. The "*Asian economic miracle*" was not a mirage; it was real. And many of the factors that allowed Indonesia to grow by over 7 per cent per annum for over a decade are still here: strong infrastructure, a well disciplined labor force, and ample natural resources. These are the clements that will power the growth in the future. But before that can happen Indonesia must rebuild the financial institutions so that they are capable of performing the functions that a modern economic state requires: to mobilize capital and effectively channel it to its most productive use.

⁴"*Capital Flows and Exchange Rates in the Pacific Basin*." Federal Reserve Bank of San Francisco, Economic Research Department, No. 98-22 (July 17, 1998).

Review of Political Development

Indonesia in Transition

Government Responses to the Reform Demands in the State of Uncertainty

Vidhyandika Moeljarto and Arya Budhiastra Gaduh

“.... Indonesia enters a new era -- but one with a heavy hang-over of the past and which still holds the danger of political chaos”
(*Far Eastern Economic Review*, 4 June 1998).

ON 21 May 1998, Soeharto stepped down and appointed his vice president, B.J. Habibie, as his successor. The event caused mixed feelings, somewhat of an anti-climax, in the pro-reform movements. While they applauded Soeharto's resignation that in itself was not sufficient, the reforms demanded were total -- not only the removal of the president, but also a change of the regime and its ways of doing things. As such, the appointment of B.J. Habibie, a loyal supporter of Soeharto and one who was not free of the “sins” of the New Order -- namely, collusion, corruption, nepotism, and cronyism -- came as a disappointment.

Such was the general feeling at the beginning of the new government. This was

exacerbated by other issues surrounding the Habibie's government. *First*, the issue of its constitutionality. Debates were rife whether the appointment of the new president by the old president was constitutional.¹ Then, there was the problem of domestic support: it was not clear at the very beginning whether other elements of society -- particularly, the Armed Forces -- were behind him.² Habibie also lacked strong ties with the ethnic Chinese, who held much of the economic power.³ And third, the issue of international support and confidence. The international public opinion on the new president was not favorable, seeing him as a big spender on unrealistic technological projects, and an extension of the old system of nepotism and cronyism.⁴ Moreover, his views on economic and development policies were very much ques-

tioned. One World Bank official went as far as saying that Habibie had "1950s ideas of development".⁵

Surrounded by such problems, the new government under Habibie had therefore a very rough start. With the deepening of the economic crisis, strong popular pressure to democratize, and a less-than-sufficient domestic and international support and confidence, it was impossible for Habibie to pull things together. Consequently, it seems that his first agenda was to win enough support to stay in power until 2003.⁶ This was very much reflected in the policies he had undertaken during his first three months in power.

Habibie attempted to gain popular support through both economic and political means. In the economic front, Habibie resorted to populist economic policies that relied on subsidies and was run by his right-hand man functioning as the Minister of Co-operatives, Adi Sasono. Meanwhile, politically, the Habibie's government utilized two approaches to consolidate power. *First*, it tried to restore its image -- particularly, as a pro-reform government that had severed its ties from the previous regime. Hence, the government tried to boost up popular support through political liberalization: the releasing of political prisoners, a promise of revisions to the election and political laws, the toleration of opposition, the withdrawal of the military from several military operation areas, and less mass media censorship. It also tried to sever any allusion to the Soeharto regime. *Second*, the government seek the support of the Armed Forces, and consolidated its power within the ruling party, Golkar, through its extraordinary congress. This review will look

into the political policies of this new government to gain support within its first three months.⁷

Reform Demands and the Government Response

Following the resignation of Soeharto, demands were mounting for the government to reform. Many of these demands focus on political liberalization and democratization. Unlike in the previous regime, these demands could not be dealt with using the old security approach. The deepening crisis, combined with the extent of mass mobilizations and international pressures, had made such an approach unfeasible. This was particularly true given President Habibie's lack of legitimacy -- due to his controversial appointment -- and support.

Accordingly, the president needed to obtain his legitimacy and build his support. To achieve these objectives, President Habibie had to position his government as one that was pro-reform. The following sections will illustrate Habibie's attempts at doing so. They include Habibie's political liberalization program, his efforts to weed out corruption and favoritism, the problems of the military operation areas, the unveiling of the kidnappings, and the prolonged case of the Indonesian Democratic Party (PDI).

Political Liberalization

On the day he was appointed president, Habibie promised "to perform a gradual and constitutional reform, by restoring the socio-economic life, establishing a more democratic political life, and realizing a rule of law".⁸ This promise was then followed by

another promise to "develop a clean government -- free of corruption, collusion, and nepotism".⁹ After his first cabinet meeting, he introduced his road map to democratize the country. This would include a free and democratic election next year to allow a new president and a democratically-elected government supported by new election laws.

Despite these promises, many critics did not believe that he could deliver genuine political reform. His past as part of the Soeharto regime, which had perpetuated the authoritarian political system has created skepticism. But this skepticism surfaced not only because of his past, but also because of his inconsistencies and political ineptitude. For example, following his appointment, he claimed that he had no plan to continue as the head of the state after the next election. He later on shied away from that claim as he became more assured of his political support.¹⁰ This kind of inconsistencies made it hard for the people to give full support to the new government.¹¹

Given his low support base, immediately following his appointment, Habibie worked hard to boost his popular support. He did this mainly by conceding to the demands arriving at his desk. First on his list was the release of political prisoners. Within a week of his appointment, two opposition leaders, Sri Bintang Pamungkas and Muchtar Pakpahan were released. Later on, some other victims of the subversion law were also released. This release was done gradually -- albeit too gradual that, as one human rights advocate noted, it raised suspicion whether this release was merely a way for the new government to gain political credits.¹²

He had also seemingly allowed more freedom for the press by removing the threat of SIUPP revocation.¹³ In the past, SIUPP -- a special business license for the press industry, issued by the Ministry of Information -- had been utilized to impose control on the press. Revocation of the license spelled death to the targeted media. The new regulation of the Ministry of Information No. 1/1998 removed the clause that authorized the Minister of Information to revoke this license. However, a different clause of the same law stated that the Ministry of Information had the prerogative to give administrative sanctions to a media. Among the administrative sanctions listed was the prerogative to halt the operation of the company indefinitely -- a prerogative that would allow the government to control the press just like before.¹⁴ This indicated the government's unwillingness to allow freedom of the press. To show this reluctance even further, President Habibie toyed with an idea of a "journalist license" that can be revoked, presumably, by the government.¹⁵ The idea was not pursued further.

Another indication of the government's unwillingness to allow freedom of expression was illustrated by the government bill (Perpu) No. 2/1998 concerning "the freedom to express an opinion in public".¹⁶ This bill put strict regulations on the places, size, and time of demonstrations. It prohibited demonstrations of a size greater than fifty to demonstrate without a written authorization from the Police Department. This would eliminate the kind of demonstrations that managed to topple down the Soeharto regime. Moreover, a clause in the bill also included print and electronic media as a form of public opin-

ion that required an authorization from the Police Department.¹⁷ It also banned public demonstrations to be held at the time when most people would be able to join the demonstrations, namely on holidays and in the evenings.

The bill was signed by the president on 24 July 1998 -- three days before the memorial of the PDI incident, an event that was expected to gather a mass of thousands. This raised a speculation that the bill was issued in relation to that event.¹⁸ This bill was to be submitted to the parliament for ratification, and many NGOs and activists urged the parliament to reject it. Until the end of August, the parliament had not made its decision.

Under intense pressure, Habibie finally agreed to hold an extraordinary session of the People's Consultative Assembly (MPR) on November 1998 with an agenda to set a new election date. He also promised an election on May 1999. However, people were uncertain whether the ruling government would hold this election. Finally, Habibie also succumbed to the demand to allow the establishment of new political parties.

Collusion, Corruption, Nepotism and Cronyism: The Case of the Wealth Probe

Another salient issue at the beginning of the Habibie's government pertained to the wealth of officials and ex-officials -- particularly, Soeharto and his cronies.¹⁹ Forbes magazine listed Soeharto as among the wealthiest people in the world, with a personal fortune estimated at \$16 billion and a family fortune of about \$40 billion --

roughly the amount of the IMF bail-out needed by Indonesia.²⁰ Meanwhile, domestic and international observers accused Soeharto and family as responsible for exacerbating the economic crisis in Indonesia. Pressures to investigate the wealth of Soeharto and his family had forced many public and private companies to dump contracts linked to the Soeharto family.

Responding to the demands, Attorney General Soedjono Chanafiah Atmonegoro said that his office had been assigned to investigate the wealth of Soeharto and the assets of his foundations. But he qualified the move by saying that Soeharto would be "presumed innocent" and would be summoned "only if irregularities were found". The Minister of Co-operatives, Adi Sasono, supported this move to investigate and said that this investigation into businesses linked with Soeharto had received blessings from President Habibie. He stated that the government were serious to prosecute people who broke the law, even the former president. He further emphasized that the present government was not the continuation of the Soeharto regime.²¹ Further commitment to tackle this issue came from the Minister of Justice, Muladi, who was already prepared to impose a travel ban on Soeharto's family if the Attorney General requested it. The children were said to be on an informal Immigration Ministry blacklist, which would prevent their going abroad.²² Muladi also instructed a senior departmental director general to be alert to the possibility of the destruction of evidence in relation to this case.

The response also came from the Armed Forces. General A. Wahab Mokodongan, the spokesman of the Armed Forces, signaled

that the military would not intervene to protect Soeharto from formal investigation. This clarified the previous statement by the Armed Forces Commander, General Wiranto. Following Soeharto's resignation, General Wiranto pledged to "protect" the honor of the former president. The general then clarified that protection referred to the former president's "physical" safety.²³ This seemed to be a move to distance the military from the issue of Soeharto's wealth. Mokodongan added further that each government institution had its own duties and the investigation into the wealth of Soeharto was the duty of the Attorney General's office.²⁴

Soeharto hired a private lawyer, Yohannes Yacub to stand by him against the demands for investigation. Through his lawyer, Soeharto said that he was ready to be investigated because he had nothing to hide.²⁵ However, he requested that the demands be channeled through legal means without the needs for demonstration. Soeharto also admitted the presence of a third party who had benefited from his sons and daughters and were hiding under the umbrella of reform. He promised to reveal who they were. With the pressure towards Soeharto's and family wealth, many state own firm and private companies reviewed and canceled ties with companies linked to Soeharto's business empire. Moreover, legal actions had also been undertaken against his family's empire. Two glistening office towers housing the Humpuss Group, owned by Hutomo Mandala Putra (Soeharto's youngest son) would be appropriated for welfare projects. Many of Soeharto's family members were also forced to resign from top jobs.²⁶ Bob Hasan, a close friend

of Soeharto and the head of the timber association, was fined 50 billion rupiah by the court for causing the forest fire.

Nevertheless, skepticism abound on the outcome of these efforts. There are two reasons behind this skepticism. *First*, the sudden replacement of Sudjono with an active military officer showed certain unwillingness on the part of the government. Even though Sudjono had a handicap as part of the Soeharto regime -- he was, after all, appointed by Soeharto into his cabinet -- there were indications that he was quite serious in his efforts to deal with the wealth probe. He moved rapidly by setting up a team to probe into the wealth of government officials and ex-officials, including Soeharto.²⁷

Then, Habibie made a unexpected move by replacing Sudjono with the head of the Armed Forces prosecutors, Major General Muhammad Ghalib on 15 June 1998. This stunned the public since there was no reliable rationale behind his removal.²⁸ Albert Hasibuan, member of the National Commission on Human Rights, found this removal abnormal. Meanwhile, Bambang Widjojanto, chairman of the Indonesian Legal Aid Foundation speculated that this might have been caused by Sudjono's relative independence in the investigation.²⁹ Sudjono himself admitted that there were some obstacles and he hoped the new Attorney General would be able to overcome those obstacles. But given the fact that Ghalib is a military official that must obey the line of command, it is improbable that he will be able to become an independent prosecutor.³⁰ Arbi Sanit, a political observer, maintained that this move was only a follow-up move from the milit-

ary to protect Soeharto and his family.³¹ Since many of Soeharto's businesses have strong linkages with the businesses of the military, it is not farfetched to see this replacement as a move by the military to protect its own vested interests.

The second reason pertained to Habibie's own reputation.³² Habibie was known to practice corruption and favoritism. Even though he denied such accusations, naming his family wealth as part of the hard work, high level of education, and talent, many were not convinced since the data spoke otherwise. Less than a week after his appointment, the *Asian Wall Street Journal* published an article that mapped the wealth of Habibie and his family.³³ These fortune included some joint ventures with the children of Soeharto. One Australian economist, Michael Backman, called Habibie "a mini-Soeharto" when it came to crony capitalism.³⁴ This skepticism was exacerbated further by his political ineptitude. Following his speech in front of the parliament, confirming a pledge to end practices of corruption, collusion and nepotism, Habibie awarded the nation's highest honor, the star of the Republic of Indonesia *Adipradana* to his wife, Hasri Ainun Habibie, based on the sole argument that, as the First Lady, she had accompanied the president in times of trouble.³⁵

Military Operation Areas in East Timor, Irian Jaya, and Aceh

Emboldened by promises of political reform in Indonesia, groups demanding independence intensified their activities especially in East Timor, Irian Jaya, and Aceh. With different rationales, the govern-

ment insisted to keep a "special watch" in East Timor, Irian Jaya and Aceh. As such, these areas were regarded as Military Operation Areas (DOM -- *Daerah Operasi Militer*) due to its potential in generating separatist movement. This policy had created human rights violations -- including mass rape, torture, and abductions -- rendered by the military. Following Soeharto's resignation, domestic and international pressured the government to investigate these issues. President Habibie in his speech on 15 August 1998 apologized for the many human rights abuses during the Soeharto's regime, and promised to take further steps to investigate the case.

Meanwhile, anti integration sentiment ran high both in East Timor and in Jakarta. In the capital of East Timor, Dili, thousands of students and civilians called for a referendum, the right of self-determination and the withdrawal of the government troops who had suppressed separatist insurgencies with often brutal tactics. They also demanded the release of East Timor political prisoners, including the jailed rebel leader Xanana Gusmao. Fearing unrest amid the growing political uncertainty, thousands of Indonesian migrants in East Timor left the territory. At the same time, the anti-integration demonstrations in Jakarta marched along the compound of the Ministry of Foreign Affairs and the Ministry of Justice. Some were injured in the incident.³⁶

Several negotiations were held between domestic and international political actors to solve the East Timor problem. Nobel laureate, Bishop Carlos Belo, held talks with President Habibie, Xanana Gusmao and Jamsheed Marker -- the UN Secretary-Gen-

eral's special envoy on East Timor.³⁷ Belo asserted during an interview that any solution to the East Timor issue should be resolved through current talks between Indonesia and Portugal under the auspices of the United Nations. This should also involve the East Timor people in those talks -- otherwise the problem would be protracted.³⁸ Jamsheed Marker individually met President Habibie, Foreign Minister Ali Alatas and Xanana Gusmao, to discuss alternatives to handle the problem in East Timor, including the government proposal to grant a special status to East Timor.

Meanwhile, thousands of people mobbed the European Union delegations visiting East Timor. The delegation was represented by three ambassadors: Britain's Robin Christopher, Austria's Viktor Segalla and the Netherlands's Paul Brouwer. In the visit, they met 35 members of the Movement for Reconciliation and Unity for East Timorese people. In the incident, violence erupted between pro-independence protesters and the security forces.³⁹

Towards the mounting pressures for referendum, President Habibie countered by offering a special administrative status to the area while ruling out the possibility of full independence for East Timor.⁴⁰ He was also willing to release several political prisoners, not including Xanana Gusmao, and withdraw thousands of troops from the territory. Under the scenario, the United Nations, Portugal, and the international community would then accept East Timor as Indonesia's 27th province. This was immediately rejected as inadequate by separatists who demanded total freedom from Indonesia, including Xanana Gusmao and the Portuguese government represented by Jose

Ramos Horta, a co-winner of the 1996 Nobel Peace Prize. Xanana Gusmao stated that only a referendum on self-determination would settle the problem.⁴¹ Horta rejected Habibie's offer as he considered him ambiguous and arrogant. He argued that the only solution to East Timor was a referendum under the United Nations's supervision.⁴² In the end, the government released several political prisoners and withdrew thousands of troops from East Timor,⁴³ but the issue of independence remained unsolved.⁴⁴

Inspired by the East Timorese struggle, separatist movements arose in several towns in Irian Jaya.⁴⁵ Clashes between the civilians and the military left many injured and dead, including student activists from the University of Cendrawasih. The movement led by students, civilians and the Free Papua Movement (OPM) also demanded a referendum. In several areas the West Papua Flag was hoisted, prompting the shootings of at least 23 people. The Armed Forces Commander, General Wiranto described the flag raising as "treachery".⁴⁶ In Jakarta, 15 NGOs visited the National Commission on Human Rights, reporting persecutions of civilians by the military. They demanded that the Commission launch a thorough investigation and publicly revealed the human rights violations committed by the military.

The rationale behind these discontents in Irian Jaya was not the same as that in East Timor. The provincial governor, Freddy Numberi, stated that local people were frustrated with what they saw as an unresponsive local government which was fully controlled by the central government in Jakarta. Local people lacked rep-

resentation at senior levels of the government and most of them were still uneducated. Local people were also angered by the way the bulk of money and taxes from companies exploiting the province's resources -- such as PT Freeport Indonesia -- went to central government, leaving the majority of people in Irian Jaya in poverty and under-development.

Unlike in East Timor, President Habibie never gave a clear statement on political reform in Irian Jaya, although some sources said that he was willing to give a special autonomy status to the area.⁴⁷ Habibie only ruled out every actions that demanded referendum.

The fundamental reason for separatist action in Aceh was similar to that in Irian Jaya.⁴⁸ For about 9 years since 1989, Aceh was regarded as one of the Military Operational Area. The military blamed the Security Disturbance Movement for Independent Aceh or the Free Aceh Movement (*Gerakan Pengacau Keamanan -- GPK Aceh Merdeka*) for the social unrest and the killing of civilians. It responded to the movement violently, killing many innocent civilians. This increased the tension and anger between the civilians and the military. Like other military operation areas, the military was also held responsible for the human rights violations such as mass shootings, torture, and rapes.

The National Commission on Human Rights had sent their representative to investigate the violation. After only two days of investigation, they found a remarkable number of abuse: 871 dead on the spot, 378 missing and then found dead, 550 missing until now, 368 tortured, 120

house burnt, and 102 raped. All of these were victims of the military involvement in Aceh between 1989 and 1998.⁴⁹ These findings were seen as incomplete. An NGO recorded that the figure was even more remarkable. They found 2300 dead and missing. Many were also crippled.⁵⁰ This first findings by the commission dissatisfied many Acehnese and encouraged the commission to send a second team led by Baharuddin Lopa, the commission's secretary general.

So far, the government did not respond to the findings. They only sent a team from the member of the Representative (DPR) in charge of fact finding, led by Hari Sabarno -- the chair of the Armed Forces faction in the parliament. The visit managed to show human rights abuses by the discoveries of mass graves and skeletons, but they did not act on it.⁵¹ The Armed Forces Commander, General Wiranto, following President Habibie's speech on the independence day, also apologized for the human rights abuses. He withdraw hundreds of non-territorial troops from the area and lifted the military operation status from the province on August 7.⁵²

Many believed that despite Wiranto's action, he and the military were still protecting its members responsible for the abuses.⁵³ Wiranto's apology and troops removal have angered religious and political leaders in Aceh. They considered the gesture as insufficient to heal the wounds of the people affected. They demanded court martial for the officers involved in the abuses. They also demanded the rebuilding of house burnt and economic compensations for families of those murdered.⁵⁴ Equally they demanded the release of those

detained and jailed for alleged involvement in the separatist Free Aceh Movement.⁵⁵

The second team sent by the National Commission on Human Rights found on their preliminary investigation that at least 782 people were killed, 368 tortured, 3,000 women widowed and between 15,000 to 20,000 children orphaned during the military operations between 1989 and 1998. In addition, 168 people were reported missing in the same period. General Wiranto expressed doubt on the accuracy of the data and criticized the commission for going public without confirming with the military first. Wiranto stated, that because most findings were based on skeletons and bones excavated, some of these skeletons could be the victim of the communist uprising in 1965.⁵⁶ This statement raised criticisms from the Achenese, who then demanded his apology. Some was the statement as an attempt to prevent the Armed Forces reputation from being sullied by the shameful revelations now coming out of Aceh. Despite the dispute, the State Secretary Akbar Tandjung and the Minister of Social Affairs, Justika Baharsjah, promised that the government would care for the orphaned children and widow.⁵⁷

The Kidnappings of Activists and the Officers Honorary Council

On 26 April 1998, Pius Lustrilanang, an NGO activist, broke the silence by testifying in front of the National Commission on Human Rights about his own kidnapping and torture.⁵⁸ Following his testimony, he flew to Holland to avoid the threat of assassination from his abductors. He then went to the U.S. Congress to tell

the story of his kidnapping and torture. His testimony had brought courage to other victims of abductions to finally come into the limelight and told their stories.

These abductions spurred reactions, both internationally and domestically. The United Nations High Commission on Human Rights put abductions in Indonesia as part of their meeting in Geneva, and in the meeting, the European Union was planning to draft an anti-Indonesia resolution if these cases were not investigated.⁵⁹ The National Commission on Human Rights pointed their fingers on a "well-organized group", while the victims speculated that the group was part of the Armed Forces.⁶⁰ The commission also recommended that the Armed Forces immediately act to investigate these cases. Responding to these pressures, the Armed Forces Commander finally set up a small fact-finding team led by the commander of the military police, Major General Syamsu Djalal.

Suspicious were directed at the Army's Special Forces Command (*Kopassus*), which at the time of these incidents was led by Soeharto's son-in-law, then Major General Prabowo Subianto. Before the fall of Soeharto, Prabowo held a strategic position as the commander of the Army Strategic Reserve Command (*Kostrad*). Meanwhile, the Special Forces Command was led by Major General Muchdi, also loyal to Prabowo. These two forces were the most strategic forces in the Armed Forces.⁶¹ Many speculated that they were put in those positions by Soeharto to balance the influence of General Wiranto, and thereby protecting the interests of Soeharto's family and eliminating the possibility of a military coup.

Nevertheless, Soeharto did fall. Following his fall, Wiranto immediately consolidated his Armed Forces by transferring Prabowo and his loyalists into obscurity.⁶² In the meantime, the nation's attention was diverted from the abduction cases to other issues of political reform. However, on 5 June 1998, the co-ordinator of the Committee for Missing Persons and Victims of Violence (*Kontras*), Munir, brought the issue back to the surface by pressuring the Armed Forces's fact-finding team to work faster.⁶³

With Prabowo and his men gone from strategic positions, Wiranto felt secure enough to probe into these cases. On 13 July 1998, the fact-finding team declared that members of the Special Forces Command were involved in the kidnappings.⁶⁴ A few days afterwards, 7 members of the Special Forces were arrested as suspects in the kidnapping. The ball rolled quickly enough—within a week, the Commander of the Special Forces, Prabowo, became implicated in the investigation. This was quite unusual, given Prabowo's high position and rank in the force.

In response to the statement by the fact-finding team, people demanded that Prabowo be put into the military court. But instead, on 3 August 1998, Wiranto established the Officers Honorary Council to probe into the matter. The council investigated three suspects: Lt. Gen. Prabowo, Maj. Gen. Muchdi, and Col. Chairawan—all of them from the Special Forces. The investigation by the council revealed that Prabowo "misinterpreted" an order (known as *Bawah Kendali Operasi* or BKO) from a superior officer. As such, the council found Prabowo, Muchdi, and Chairawan

guilty for their acts and recommended administrative sanctions. Wiranto concurred and dismissed Prabowo from the service. Meanwhile, Muchdi and Chairawan would remain in the Armed Forces but would not hold any structural position.⁶⁵

Despite the results, criticisms abound concerning the decision to establish the Officers Honorary Council, instead of placing the suspects in the court martial. There were two principal objections. First, there were legal problems with the formation of the council. According to the 1995 Decree of the Commander in Chief Number 438, an Officers Honorary Council could only investigate those who had been put through the court martial. Wiranto's action to form the council before the court martial violated this decree. Munir argued that this violation was a precedent for legalizing further extra-judicial bodies.⁶⁶

The second objection pertained to the transparency of the investigation. Unlike in a military court, the council was usually established to investigate a case related to an officer's code of conduct in a closed internal hearing.⁶⁷ As such, the political motives behind these acts would not be revealed to the public. Furthermore, many important questions remain unknown to the public, such as who gave the order that was "misinterpreted" by Prabowo. As a Special Forces commander, Prabowo only had two superior officers in the line of command: the Commander in Chief (C-in-C), Gen. (now retired) Faisal Tadjung, and the Highest Commander of the Armed Forces, Soeharto. Yet, the Armed Forces denied the involvement of Faisal Tadjung, while the former C-in-C denied the involvement of Soeharto.⁶⁸

Hence, many still demanded that Wiranto court-martialed Prabowo. Wiranto replied that he was waiting for the prosecution of the 10 Kopassus low officers, and if the court implicated these three high officers, they could be court-martialed.⁶⁹

The Flare in the Indonesian Democratic Party (PDI)

The forced resignation of Soeharto renewed calls to reopen the investigation into the tragedy of 27 July 1996 in the PDI headquarters. The incident occurred after the government supported an unconstitutional breakaway congress in Medan to elect Soerjadi and remove Megawati from the chairmanship of the party. The tragedy had led to several deaths and disappearances. With the new regime, the government was pressurized to recognize the party under the leadership of the ousted Megawati Soekarnoputri, and not the government-backed Soerjadi.

Basically, the government under Soeharto and the military were held responsible in creating the mess within PDI. In 1996, the Soeharto government intervened in the affairs of PDI to prevent the growing influence of Megawati, the daughter of Indonesia's first and very charismatic president, Soekarno. After the fall of Soeharto, the government tried to wash its hands of its previous wrongdoing. The Co-ordinator Minister for Political Affairs and Security and the former military commander, Gen. (ret) Feisal Tadjung denied that there was any government intervention. He stated that the conflict in the party was an internal matter of the party.

Many of Megawati's supporters rejected Tadjung's remarks. They accused the officials of attempting to muddy history with this kind of statements. They also pointed out those they considered personally responsible for the matter. These included the former Minister of Interior, Yogie S.M., and former ABRI chief of Socio-political Affairs -- currently, the Minister of Interior -- Lt. Gen. Syarwan Hamid. But the three denied any responsibility for the rift, although Soerjadi had admitted interference from the military and the government.⁷⁰

The government responded calmly towards the problem. They considered the problem solved. Through the Minister of Interior, Sjarwan Hamid, the government simply proposed to split the party into two separate parties if its two warring factions failed to settle their differences. This would mean a loss of regional chapters and other infrastructure for Megawati's PDI. This idea was rejected by Megawati, who described the minister's proposal as "groundless and unacceptable". The battle between Megawati and the government-backed PDI also went to court.

Further PDI's activities led by Soerjadi angered Megawati's supporters. This occurred on the congress of Soerjadi's PDI in Palu, Central Sulawesi. The congress was blessed by the government and was originally scheduled to be opened by President Habibie before he finally appointed Sjarwan Hamid to do the job. Some hoped that the congress would reunite and consolidate the two PDIs, despite Megawati's absence from the congress. But the congress finally broke into chaos as many of Megawati's supporters tried to force their

way into the venue tightly guarded by the security forces from government backed party faction. The incident injured several people from both sides. The congress finally elected Budi Hardjono as the new chairman and the election was recognized by the government. In response to this recognition, Megawati prepared an information campaign to force President Habibie to overturn his recognition of the new chairman.⁷¹

Golkar's Extraordinary Congress

On 2 June 1998, Kosgoro -- one of Golkar's founding organizations and traditional allies-demanded that Golkar should immediately hold an extraordinary congress. Its chairman, Bambang W. Soeharto, accused Golkar of having failed to live up to its commitment to fight for the interest of the people. Instead, Golkar had caused people hardship and, in fact, "was the root cause of the people's crisis of confidence towards the government".⁷²

This statement reflected the general feeling towards this dominant ruling party. Golkar was a functional group originally intended as an election machine to allow stable development in Indonesia.⁷³ However, in its development, power within Golkar became centralized around the ex-president, Soeharto. Golkar became Soeharto's personal election machine to legitimize his personal rule. Golkar's insistent nomination of Soeharto as president in October 1997, despite strong popular demands for him to step down, illustrated Golkar's personal loyalty to the ex-president.⁷⁴

With Soeharto's fall from grace on 21 May 1998, what used to be Golkar's key

to success suddenly became a liability. Strong links with the fallen president, which previously implied support from the military and bureaucracy, instead became a symbol of corruption. Within weeks after Soeharto's resignation, Harmoko, the chairman of Golkar and a longtime supporter of Soeharto, was accused of manipulating the aspirations of the people pertaining to his nomination of Soeharto.⁷⁵ He was also accused of endorsing nepotism in the selection of party representatives in the parliament.⁷⁶

Pressures to reform came from within and without Golkar. Twenty three out of Golkar's twenty seven regional chapters demanded an extraordinary congress. Eight of them demanded the removal of Harmoko from the chairmanship of Golkar.⁷⁷ On the other hand, elements from without, such as mass organizations that historically were Golkar's allies, also pushed for an extraordinary or accelerated congress outside its scheduled one in October. With the scheduled general election coming up next year, Golkar urgently needed to consolidate. An accelerated congress was inevitable and, finally, on 4 June 1998 Golkar decided to hold its extraordinary meeting on 9-11 July 1998.

Challenges for Golkar

There have been three issues dominated discussions on Golkar: the position of the Board of Patrons (*Dewan Pembina*), the chairmanship of Golkar, and independence from the military and bureaucracy. The first two were in the agenda for the congress. The third was not part of the agenda, but was among the main themes in Golkar's rhetoric.

The issue of the Board of Patrons pertained to its almost unlimited authority within Golkar and its association with the fallen regime. Historically, the Board of Patrons began as an advisory board outside the structure of Golkar. In the 1973 congress, however, this Board was included in the structure, and was granted considerable power within Golkar.⁷⁸ Later congresses granted more power to the Board, and specifically to the chair, the ex-president Soeharto. The authority granted was almost absolute, to the extent that the Board of Patrons could hire and fire members of Golkar's executive board, and dissolve the executive board.⁷⁹

Following the end of the Soeharto regime, association with him became a political cost. As such, Golkar needed to distance itself from the previous regime. This could be partially achieved by abolishing the Board of Patrons.

Meanwhile, on the issue of chairmanship, the competition was intense. Although it was clear that Harmoko would be out of his job as the chair, it was uncertain who would replace him. This became important because, despite its unfavorable image, Golkar was still one of the best political vehicles in Indonesia. The special privileges provided by the New Order Government had enabled it to develop the strongest organizational infrastructure compared to other political organizations.⁸⁰ Furthermore, the majority of the current parliament are still Golkar members. Hence, Golkar still have a significant role in policy discussions within the parliament. The chair of Golkar will have the authority to determine the direction of these discussions. He can decide, for example, whether, in the

parliament, Golkar were to support the government, or to become independent from it.

As a matter of fact, this became the gist of the tug-of-war between the two candidates nominated for chair: Akbar Tandjung and Edi Sudradjat. While some characterized the election as a conflict between the Reformist vs. the Soehartoist, civilian vs. military, or even between the Islamist vs. the nationalist, it was more accurate to see this as a conflict between pro-Habibie vs. anti-Habibie factions.⁸¹ To be more specific, it was a conflict between those who wanted to remove Habibie in the special session of the People's Consultative Assembly, and those who wanted to keep him president. The winner will have the ability to decide whether to include or not the removal of Habibie in the special session's agenda. As such, the congress had less to do with democratization, and more to do with an attempt to use Golkar as a power base.

Finally, the issue of independence from the military and bureaucracy. This became most important because the success of this separation would reflect Golkar's commitment towards reform. Golkar's electoral success in the past had been due to the support from the military and bureaucracy. This three-way collaboration had become the source of political corruption and collusion, especially in the distribution of strategic government positions. Domestic and international pressure to weed out corruption and democratize had made it difficult to maintain such a relationship. Rhetorically, prominent Armed Forces and government officials had said that they wanted Golkar independent.⁸² However, these claims deserve scrutiny, given the experi-

ences of the past. Their first test was in the election of Golkar chair in the extraordinary congress.

Preparing the Election of Golkar Chair: An Experiment in Democracy

While there were many candidates considered for nomination, only two were nominated in the congress. Edi Sudradjat, 60, was an Armed Forces veteran who had gone through the top positions in the Armed Forces, including the Commander in Chief and the Minister of Defense. He was considered clean, and during his service with the Soeharto regime, was often quite critical of the government.

His contender, Akbar Tandjung, 53, was a seasoned politician who had been in politics since his student years. A civilian, Akbar Tandjung was actively involved in national organizations-including as the Executive Chair of the largest Muslim student organization, HMI -- and had also held three cabinet positions during the Soeharto regime. At present, he is the State Secretary in the Habibie administration. Akbar Tandjung was considered by many to be more able to reflect the aspiration of the Muslim community.

For the first time, there were more than one candidates for the top position and until the congress, it was still not clear who would win the race. Previously, the candidate for chairmanship was more or less determined before the congress by Soeharto-the congress only ratified his chosen candidate. This congress made a breakthrough by the nomination of more than one candidate, and an election through voting.

Right from the very beginning, each faction tried to influence public opinions by exposing each other's weaknesses.⁸³ For example, just a few days after Edi Sudradjat declared willingness to be nominated as chair, Abdul Gafur suddenly stated that "the aspiration of the (executive board) meeting" wanted a chair that was younger than Harmoko when he was nominated.⁸⁴ Harmoko was nominated chair when he was 53 -- Edi Sudradjat was 60, and Akbar Tandjung, 53. The statement was later countered as false -- the meeting never came up with any criteria⁸⁵ -- but it managed to surface the issue of Edi's age.

Several other issues were raised about each candidate. In addition to being perceived as being too old, Edi Sudradjat was also considered to have too little experience in politics. Further, he was seen to be too close to the Armed Forces-especially to the Armed Forces Veterans Association, led by the ex-vice president Try Sutrisno. The support from the Armed Forces Veterans Association and its chair, who was also the Deputy Chair of the Board of Patrons, had created accusations that the Edi Sudradjat faction was a proxy for Soeharto to "strike back".⁸⁶ Edi Sudradjat flatly denied the accusations by pointing out that he was among those not favored (by Soeharto). Some analysts also saw this faction not as an extension of Soeharto, but as a faction that would try to pressure the Habibie government to live up to its reformist promises.⁸⁷ At any rate, this close relationship with the Armed Forces, and his status as an Armed Forces veteran, had become a liability in an Indonesia which had just had traumatic experiences with the military.⁸⁸

Meanwhile, problems with Akbar Tandjung were related to his position as the State Secretary. This would be a violation of Golkar's commitment to be independent from the bureaucracy--after all, as a cabinet minister, Akbar Tandjung would still be under President B.J. Habibie. Hence, if he maintained his position as State Secretary, Golkar would not be able to check the acts of the government. Answering this criticism, Akbar Tandjung said that he would consider resigning from his cabinet post. Another issue was his closeness with the Muslim groups. Unlike Edi Sudradjat who was categorized as among the "red-and-white" (nationalist), Akbar Tandjung was seen by some as part of the "green" (Islamist).⁸⁹

At any rate, up till the congress, the preparation was relatively democratic with intense political lobbying from each faction. Prior to the congress, many predicted that Edi Sudradjat would become the next Golkar chair. On paper, the support from the Veterans Association would have secured him the position. According to the election mechanism, only the chairmen of the 27 regional chapters were allowed to vote. Eighteen of the 27 chairs in the regional chapters were members of the Veterans Association.⁹⁰ Four days before the congress, Try Sutrisno gathered these chairmen to consolidate their position on the election, and they have seemingly agreed to vote for Edi Sudradjat.⁹¹ Given this strong position, it came as a surprise when on 11 July 1998, Akbar Tandjung beat Edi Sudradjat by 17 votes to 10.

Congress Results and Its Aftermath: A Step Forward, or Back?

Of the results from the three-day congress, two decisions deserve attention. *First*, the abolishment of the Board of Advisors and Board of Patrons -- a move that was clearly intended to sever ties from the past, particularly from Soeharto. *Second*, the election of Akbar Tandjung as the new chairman of Golkar. The defeat of Edi Sudradjat came as a surprise given his supposedly strong backup from the Veterans Association. A clue of what might have happened came from the reactions just few days after the congress.

Two days after the congress, 13 retired generals -- including retired generals critical of Soeharto who formed *Petisi 50* -- made a 6-point statement criticizing ABRI and Golkar.⁹² The statement accused the Armed Forces, the Minister of Interior, and other cabinet ministers of intervening in the Golkar congress. This statement referred to the election of the chairman. At the same time, rumors were rife that the Assistant to the Armed Forces Chief of Socio political Affairs, Major General Mardiyanto, upon the instruction of General Wiranto, phoned regional military commanders to influence Golkar's chapters to vote for Akbar Tandjung.⁹³

Whatever happened in the congress could not be separated from the perceived agenda of each faction. This has to do with the special session of the People's Consultative Assembly planned for November 1998. The resignation of Soeharto, and his handing over of the presidency to Habibie had been a source of contention. Many analysts considered this act as unconstitu-

tional. Furthermore, many still saw Habibie as part of the old regime and its corrupt tendencies. Others would like a new General Election to elect a parliament that truly represents the will of the people. As consequence, many groups pushed for a special session of the People's Consultative Assembly, particularly to clarify the issue of the presidency and that of the General Election. It was the former that became the source of contention.

As mentioned above, the majority of the parliament are still Golkar members. The chairman of Golkar would be able to direct the agenda of the People's Consultative Assembly. Given his prerogative to recall Golkar members in the parliament, a Golkar chair would be able to engineer a parliament that can ensure the inclusion or exclusion of an item in the agenda. The item in dispute was the removal of President B.J. Habibie.

The government feared that with Edi Sudradjat as chair, this item would be included in the special session. That was why Akbar Tandjung, a minister in the Habibie government, was then put forward as a contender. The Armed Forces, under General Wiranto, had an interest in ensuring stability, while at the same time, would still like to have an influence within Golkar. And stability was perceived as the stability of the present government. A few days before the congress, General Wiranto made a warning that whoever was to lead Golkar, he should not act against the present government.⁹⁴ Although he did not mention any name, the warning clearly referred to the Edi Sudradjat faction who were supported by strong critics of Habibie and his government. In return for

the support, Akbar Tandjung granted the Armed Forces a strategic position in Golkar's executive lineup as a Secretary General—a position that was filled by Major General Tuswandu.

Therefore, the victory of Akbar Tandjung also meant a victory for Habibie. With Akbar Tandjung holding both positions of the State Secretary and the chair of Golkar, he had an interest in supporting the government wholeheartedly.⁹⁵ This was reflected in the sudden replacement of the chair of Golkar representatives in the parliament with Andi Mattalatta, an ardent supporter of Akbar Tandjung and Habibie.⁹⁶

In order to accommodate the differing interests, Akbar Tandjung expanded the executive lineup from 45 members to 134 members. Despite this, many were still disappointed with the results of the congress. Twelve executive members resigned from their post, while more than twenty did not return the confirmation of their willingness to join the executive board.⁹⁷ Others who were disappointed formed a splinter group called *Barisan Nasional*.

The question remains: Is this congress a step forward, or a step back for democracy within Golkar? One might see this as a step forward in terms of the lessening influence of the Armed Forces in civilian politics. But the new Golkar was not yet free of military influences and intervention -- as illustrated in the alleged intervention in the election of its chair, and in the choice of Major General Tuswandu, previously an instructor in the National Resilience Institute, as the Secretary General. On the other hand, the congress was

a step forward in terms of being the first congress where the regional chapters voted for their candidates, instead of simply ratifying a chosen candidate.

Meanwhile, the alleged intervention of the cabinet ministers and the Armed Forces showed that this 'new' Golkar still utilized its old tactics, and had not become independent from the Armed Forces and the bureaucracy as it claimed to be. Similarly, the presence of an active minister and an active military in the top positions of Golkar represented an unhealthy influencing between the military, the government, and the party. As such, it was not clear whether the congress had resulted in a better and more democratic Golkar. What was clear, however, was that the congress eliminated opposition against Habibie and its government from within Golkar.

Conclusions

Soeharto left the legacy of a sultanistic regime, where there was a high fusion of the private and the public, and where the polity became the personal domain of the "sultan".⁹⁸ Under his rule, the conditions for a transition to a consolidated democracy were repressed: the development of civil and political society were hampered, the rule of law was ignored, and the governing instrument, state bureaucracy, became personalized in the hands of Soeharto.⁹⁹ The development of a transparent and institutionalized economic society was also impeded by the vested interests of Soeharto and his cronies.

Indeed, President B.J. Habibie faced a huge task when he was given the presid-

ency. The whole sphere of life -- political, civil, and economic -- was in a mess. The level of confidence towards the government was very low, even at the provincial level. Many provincial governors were forced to step down by demonstrators. Meanwhile, anarchy ruled. There were many incidents of looting of shrimp farms, coffee plantations and other commodities -- all of which could not be handled properly by the law enforcement officers. To make things even worse, inflationary pressure pushed the prices of basic commodities up, making it very hard for the increasing number of the poor to gain access to them.

At the same time, Habibie lacked a sense of legitimacy, both constitutionally and politically. This was mainly due to his controversial appointment and his close association with the former president. Habibie also lacked a power base, as he had weak connections with both the military and the crony capitalists. In this case, two goals should have been crucial in his agenda, i.e., restoring the confidence of the government and building his own political power base, both among the elite and among the people. Unfortunately, during the first three months, Habibie seemed unable to achieve these goals. Confidence was still low, as the economy worsened. Meanwhile, the public still saw Habibie as an extension of the previous regime, with the same kinds of favoritism. Despite his proposed "road map to democracy", his fulfilling of the various political demands was seen less as a sign of his commitment to democracy, but as a sign of weakness.

This was considered unfortunate. Had Habibie been able to show signs of genuine reform and avoid relying too much on the support of the military, he would have proven the competence of a civilian-led government. This would have granted him the authority to gradually remove military interventions from civilian politics, and allow an easier transition to a consolidated democracy.¹⁰⁰ Indeed, his inability to restore confidence and stability gave a rationale for the military to intervene further. Should the intervention go unchecked, it will eventually destroy the chance for a democratic transition and consolidation. If this happens, the presence of a new non-democratic regime combined with the continuing economic slump will create havoc in Indonesia, as regimes rise and fall.¹⁰¹

Consequently, the only chance for a democratic transition will depend on the success of the proposed general election next year. If the election were to be done fairly, it would allow the people to legitimize the ruling government and grant it confidence. This legitimacy would allow the new government to make policy decisions -- even painful ones -- without constant fear of unrest and without having to resort to populist but ineffective policies, unlike the current government. Hence, many were very concerned about the political situation when some rumors indicated that the government was trying to postpone, or even cancel, the general election.

As for Habibie, Soeharto had left him a legacy of political problems, most of which concerned human rights abuses. Salient among them were the 13-15 May

riot in Jakarta, massacre in East Timor, Aceh and Irian Jaya, and also the Tanjungpriok case. Meanwhile, the economic crisis did not seem to be waning, and the increasing number of poor people -- which might reach 80 million or 40 per cent of the total population by the middle of this year¹⁰² -- would present a special problem as a potential source of instability, particularly prior to next year's general election. Many challenges lay ahead of the Habibie government and the country, as Indonesia struggles to escape from the state of uncertainty.

ENDNOTES

¹The debate centered around the constitutionality of the transfer of the presidential mandate to Habibie without returning it to the People's Consultative Assembly. Dimiyati Hartono, a law expert from the University of Indonesia, argued that Soeharto should have returned the mandate to the People's Consultative Assembly first before it could be given to Habibie. This would require a special session of the People's Consultative Assembly -- something that in the past was used to impeach President Soekarno. Dimiyati Hartono also criticized the fact that Habibie was not sworn in front of the parliament or the People's Consultative Assembly, as mandated by the Article 9 of the 1945 Constitution (*Kompas*, 22 May 1998).

²In the beginning, it was unclear whether the Armed Forces would support Habibie, given its prior uneasy relationship. This uneasy relationship surfaced when Habibie, the Minister of Research and Technology at the time, purchased some used warships without clearance from the Armed Forces in 1994. Nevertheless, the support from the Armed Forces was later clarified when the Commander-in-Chief of the Armed Forces (ABRI), General Wiranto reiterated his support for President Habibie while calling

on the nation to give the government a chance to lift the country out of its economic misery. *The Jakarta Post*, 4 June 1998.

³*The Nikkei Weekly*, 1 June 1998.

⁴An article in the *Asian Wall Street Journal* argued that the change of government did not imply any real change in the way it did business. It was simply replacing Soeharto Inc., with Habibie Inc (*ASWJ*, 26 May 1998). The article also mapped the web of Habibie's family members's ownership of various companies and joint ventures – some of which were with the children of Soeharto.

⁵*Newsweek*, 1 June 1998.

⁶One of Habibie's aides told *The Straits Times* (25 May 1998) that the new leader had no intention of giving up his presidency so soon. "From the president's point of view, his appointment ends in 2003. So he is in no hurry".

⁷This review covers events between June and August 1998.

⁸*Kompas*, 22 May 1998.

⁹*Kompas*, 23 May 1998.

¹⁰Habibie made confusing statements pertaining to his intention to be nominated president in the next election. At some times, he said that he would stay in power until the end of 1999 (*The Straits Times*, 4 June 1998) and at others indicated that he would stay until the end of the century. But later statements suggested that he would stand again for the next presidential election, especially if urged by his supporters (*The Straits Times*, 12 June 1998). When asked during a Reuters Television interview if he (Habibie) planned to be president in January 2000 after the next election, he responded "No...no, I'm not planning for that". But he also told Reuters that he would not bring forward his proposed dates for general and presidential elections. When he listed the dates in an interview with Cable News Network television, there was a flood of protests from different quarters and accusations that he was trying to hang on to power. Among the critics were student leaders, retired generals, former ministers and the trade union chief, Mochtar Pakpahan who warned the government that he would organize massive street

protests to push for a faster democratic reform in Indonesian as well as a new date for presidential elections. The State Secretary, Akbar Tandjung defended Habibie's statement by saying that a new presidential election could be held if the necessary laws were in place which could take six months or earlier or even one year (*The Straits Times*, 10 June 1998 and *The International Herald Tribune*, 26 May 1998).

¹¹Compare this to Anand Panyarachun of Thailand who, in 1992, had two successful unelected terms yet refused to run in the following election. This gained him the trust of the people. In June 1992, the announcement of his premiership brought an end the ongoing turmoil in Thailand (*WSJ*, 28 August 1992).

¹²Statement by Todung Mulya Lubis, a lawyer and human rights advocate (*Kompas*, 15 June 1998).

¹³*Kompas*, 6 June 1998.

¹⁴*Kompas*, 11 June 1998.

¹⁵Habibie compared journalists to other professionals such as lawyers and doctors, whose individual license can be revoked (*Kompas*, 11 July 1998). This idea was refused by Sofyan Lubis, the chair of the Indonesian Journalist Association (PWI). He stated that journalists was unlike lawyers and doctors and hence, journalists did not need any license (*Suara Pembaruan*, 25 July 1998).

¹⁶*Kompas*, 25 July 1998.

¹⁷*Kompas*, 16 September 1998.

¹⁸The statement made by Todung Mulya Lubis, a human rights advocate (*Merdeka*, 28 July 1998).

¹⁹This pressure to investigate any illegal practices of corruption, collusion and nepotism had been brought up in the national and local level by challenging local and national bureaucrats.

²⁰*The Herald International Tribune*, 2 June 1998.

²¹*The Asian Wall Street Journal*, 5-6 June 1998.

²²*Time*, 15 June 1998.

²³Comment by Salim Said, a military analyst in *Time*, 15 June 1998.

²⁴*The Straits Times*, 14 June 1998.

²⁵Even though Soeharto gave way to investigate his fortune, there was indications that he was offering to fund the campaigns of loyalists to try and protect him and his family from scrutiny. Although there was no indication that he was trying to bribe political or military leaders, he was very active rounding-up support everywhere. *The Straits Times*, 3 July 1998.

²⁶*Financial Times*, 30 May 1998.

²⁷*Kompas*, 2 June 1998.

²⁸*The Jakarta Post*, 16 June 1998, *Kompas*, 16 June 1998.

²⁹*The Jakarta Post*, 17 June 1998.

³⁰See the analysis in an article by D&R magazine (20 June 1998). The article refused the argument that Sudjono was fired because of his inability to deal with "the obstacles" -- supposedly, those with a vested interest in the power structure -- given that Ghalib would have to deal with greater obstacles since he had to obey his superiors as part of the power structure, namely the military.

³¹*The Jakarta Post*, 17 June 1998.

³²In a interview with *ASWJ*, Habibie said that he would not shield former president Soeharto from corruption charges. He would not stand in the way of justice being served. Habibie said that he was not the lawyer of Soeharto but the lawyer of the people. Habibie mentioned that he would remain friends with Soeharto but the problem that Soeharto was facing with his family was his. *ASWJ*, 15 June 1998.

³³*ASWJ*, 26 May 1998.

³⁴*The Straits Times*, 31 May 1998.

³⁵*Kompas*, 18 August 1998. The defense aforementioned was put forward by the State Secretary, Akbar Tandjung. At the same event, Habibie also awarded a lesser recognition to his younger brother, J.E. "Fanny" Habibie.

³⁶*The Straits Times*, 14 June 1998; *The International Herald Tribune*, 18 June 1998.

³⁷*The Straits Times*, 19 July 1998.

³⁸*The Jakarta Post*, 13 June 1998.

³⁹*The Jakarta Post*, 29 June 1998; *The Straits Times*, 19 July 1998.

⁴⁰The Indonesian government was afraid that freedom for East Timor would encourage separatist movements elsewhere, particularly in the provinces of Aceh and Irian Jaya, where guerrillas were struggling against the government. Foreign Minister Ali Alatas also stated that to conduct referendum, in a view of the long history of strife and bloodshed in the province would only reopen the old wounds and reignite violent disputes and conflicts that might lead to renewed civil war. Alatas believed that the proposal for a Special Autonomous Region within Indonesia represents the most realistic, viable and peaceful solution. *FEER*, 6 August 1998.

⁴¹*The Straits Times*, 22 June 1998. Xanana Gusmao also stated that the problem of East Timor was founded on the attitude of the Armed Forces. The reforms in Indonesia were slow to move forward because of reactionary forces in the military. The problem of East Timor was also affected by these forces in the military who did not want to accept a just international solution. *The International Herald Tribune*, 22 June 1998.

⁴²*The International Herald Tribune*, 10 June 1998.

⁴³*The Straits Times*, 25 July 1998.

⁴⁴Despite the dispute on the meaning of special status, some diplomatic sources said a special status for East Timor could include a military withdrawal, control over the budget and education, and an acknowledgment of the position of the Catholic church in the territory. *The Straits Times*, 22 June 1998.

⁴⁵The Armed Forces in Irian Jaya suspected that foreign funding helped created anxiety among the people to rebel. Two letters from the John F. Kennedy Institute and the Human Rights Institute were made available in several villages. *The Indonesian Observer*, 13 July 1998.

⁴⁶*The Indonesian Observer*, 9 July 1998.

⁴⁷*Forum*, 17 August 1998.

⁴⁸Former Governor of Irian Jaya and Aceh stated that discriminatory development policies

and economic injustice, rather than separatism, were the cause of many social, political, and security problems in the town areas. *The Jakarta Post*, 26 August 1998.

⁴⁹Another NGO reported at least 600 raped over the past seven years, many allegedly by the military. The rapes involved soldiers from various units. The NGO also listed that more than 1,670 were missing between 1990-1997. *The Straits Times*, 29 July 1998.

⁵⁰*ADIL*, No. 47, 26 August - 1 September 1998.

⁵¹In a local newspaper, the team denied that it had visited or found any mass grave, one locally known as the Skulls Hill. *The Jakarta Post*, 6 August 1998.

⁵²Following the removal of the troops from Aceh, there were heavy riots in Lhokseumawe. This incident disappointed General Wiranto. He accused Aceh's political and religious leaders for their mistrust in the handling of the situation to maintain stability after the troops's removal. This finally led to the postponement of further removal of troops from the area. Some believed the riots was organized by the Free Aceh Movement. Others speculated that it was engineered by the military. *Forum*, no. 12, 21 September 1998.

⁵³*ADIL*, No. 47, 26 August - 1 September 1998.

⁵⁴*The Jakarta Post*, 11 August 1998.

⁵⁵*The Jakarta Post*, 13 August 1998.

⁵⁶*The Jakarta Post*, 27 & 31 August 1998.

⁵⁷*The Jakarta Post*, 31 August 1998.

⁵⁸*Kompas*, 27 April 1998.

⁵⁹*Kompas*, 14 April 1998.

⁶⁰The National Commission on Human Rights stated that the abductors were a well-organized group, and it was possible that they came from the security officers (*Jakarta Post*, 1 May 1998). On the statement concerning the abductor, see interview with Pius Lustrilanang (*D&R*, 9 May 1998) and Andi Arief (*D&R*, 25 July 1998).

⁶¹Lowry, Robert, *The Armed Forces of Indonesia*, p. 85.

⁶²Prabowo's close allies that was replaced included Major General Muchdi (the Commander of the Army's Special Forces Command), Major General Sjafrie Sjamsuddin (the Military Commander of the Jakarta Area), and Kivlan Zen (Chief of Staff of the Army Strategic Reserve Unit). They were all replaced by Wiranto's confidants. See *Gatra*, 4 July 1998.

⁶³*Suara Pembaruan*, 5 June 1998.

⁶⁴*Kompas*, 14 July 1998.

⁶⁵*The Jakarta Post*, 25 July 1998.

⁶⁶*Republika*, 10 August 1998.

⁶⁷Comment by Lt. Gen. (ret.) Hasnan Habib, an intellectual military ex-officer (*Kompas*, 5 August 1998).

⁶⁸For statement by the Armed Forces, see *Merdeka*, July 24, 1998. For statement by Gen. (ret.) Feisal Tandjung, see *Kompas*, 25 July 1998.

⁶⁹*The Jakarta Post*, 25 August 1998.

⁷⁰*The Jakarta Post*, 31 July 1998. Syarwan Hamid, now Minister of Interior, had asked the rivals to wait for a court decision on the legality on the congress. In defending his position, Hamid also planned to sue some media which accused him of involvement in the PDI's rift.

⁷¹*The Jakarta Post*, 18 July 1998. Further development marked events in which Budi Hardjono tried to used several influential leaders such as Gus Dur, leader of Nahdlatul Ulama, and Ruslan Abdulgani, former Minister of Foreign Affairs, to function as "mediators" in the reconciliation process between Budi's faction and Megawati's.

⁷²*Kompas*, 3 June 1998.

⁷³See Leo, Suryadinata, *Golkar dan Militer*, 25-49. In the beginning of the New Order, many intellectuals -- particularly, the technocrats -- saw this military-civilian coalition, via the Joint Secretariat of Golkar, as necessary for modernization and development. According to Suryadinata, these intellectuals probably hoped that rule of law would put limits on the amount of power given to particular parties or groups (in this case, the military).

⁷⁴In October 1997, Harmoko, the chairman of Golkar, nominated Soeharto in the meeting

of Golkar leaders. At the time, he promised to do a check and recheck of the people's will. Then, in January 1998, in front of journalists, Harmoko claimed to have conducted a survey to test the aspirations of the people, and that it was the people's will for Soeharto to be nominated president (*Jakarta Post*, 14 January 1998). Soeharto, in his opening address to Golkar's Extraordinary Congress, alluded to this statement when, as an apology for his failing presidency, he said that he had asked many times to consult the people whether they still wanted him to be their president, and at the time, the political parties said that they still did (*Merdeka*, 10 July 1998).

⁷⁵*Media Indonesia*, 3 June 1998. The accusations came from a member of *Tim Penyelamat Golkar* (Golkar's Rescue Team), referring to Harmoko's statement on Soeharto's nomination (see previous footnote).

⁷⁶*Ibid.* Within two weeks after Soeharto's resignation, 23 members of the parliament resigned. Almost all that resigned were relatives or himself part of national or local government officials. Ironically, none of Soeharto's family members resigned their parliamentary post voluntarily.

⁷⁷*Jakarta Post*, 4 June 1998.

⁷⁸Suryadinata, *Golkar dan Militer*, 56-59. As the consequence of including the Board of Patrons in the structure, policies were practically determined by the Board — more specifically, by its chair, Soeharto.

⁷⁹*Ibid.*, 97.

⁸⁰Special privileges include bureaucratic support and funding privileges. Golkar's sources of funding include the conglomerates and Soeharto's foundation. The latter, particularly the foundation known as *Yayasan Dana Abadi Karya Bakti* (Dakab) had recently become a source of conflict. Dakab, which was founded on 5 June 1985, was established to support Golkar's cause. According to Sofyan Wanandi, a conglomerate, the money came mainly from conglomerates lobbied by Soeharto's principal crony, Sudono Salim, — usually before General Elections — to provide funding for Golkar (*Kompas*, 15 August 1998). After his resignation, Soe-

harto refused to hand over the money to the executive board of Golkar. Golkar claimed the money was rightfully theirs; others thought it should be returned to the government because the foundation itself was established based on collusion. The ongoing row was intense. Naturally, given the amount in dispute was around Rp 836 billion (roughly US\$70 million).

⁸¹The last characterization was more accurate because, as will be elaborated further in the discussion on the results of the congress, in the end the so-called "military" and "nationalist" made a coalition with the so-called "civilian" and "Islamist".

⁸²The Interior Minister, Syarwan Hamid, stated that all civil servants who had structural positions within Golkar would be removed. He said that this was in line with the government's commitment to have Golkar independent from the bureaucracy (*Media Indonesia*, 5 June 1998). Meanwhile, the Commander in Chief, General Wiranto, in a statement in front of Muhammadiyah Youths, said that ABRI would cease having specially intimate relations with Golkar. The Head of the Armed Forces's Sociopolitical Affairs, Lieutenant General Susilo Bambang Yudhoyono also stated that ABRI wanted an independent Golkar (*Kompas*, 4 July 1998).

⁸³One prominent political analyst, Arbi Sanit, divided the factions into four: those still loyal to Soeharto, namely Habibie, and Akbar Tandjung et. al., the military under Wiranto, the critical military under Edi Sudradjat and the critical civilians under Harmoko et. al. (*Kompas*, 9 July 1998). Two criticisms: *first*, it was not accurate to depict Habibie/Akbar Tandjung as loyal to Soeharto. What happened in the congress was a consolidation of power for Habibie, and had little to do with loyalty towards Soeharto. *Second*, Harmoko et. al. should not be categorized as critical civilians — they were part of the old regime whose time had past, and were trying to find a gap to fit in. In the end, Harmoko leaned towards supporting Akbar Tandjung.

Within the Akbar Tandjung faction, many of his supporters came from the present cabinet ministers, Habibie's Muslim intellectual group, ICMI, and some other Muslim groups. Meanwhile, Edi Sudradjat's faction included ex-vice

president Try Sutrisno, the Armed Forces Veterans Association, and some civilians who were critical to President Habibie, such as Rachmat Witoelar, Sarwono Kusumaatmadja and Siswono Yudohusodo.

⁸⁴*Kompas*, 12 June 1998.

⁸⁵Abdul Gafur's statement was then countered by the Deputy Secretary General of Golkar, Moestahid Astari who clarified that the meeting had not come up with any criteria for chairmanship (*Kompas*, 13 June 1998).

⁸⁶*Merdeka*, 2 July 1998. Edi Sudradjat was accused of being in the same package with Try Sutrisno-Edi Sudradjat being the future chairman of Golkar, and Try Sutrisno, the future president replacing Habibie. Both of them were accused as being 'a package' from Soeharto.

⁸⁷*International Herald Tribune*, 13 July 1998.

⁸⁸See sections on the kidnapping of activists, and the military operation areas.

⁸⁹*Suara Pembaruan*, 9 July 1998.

⁹⁰*Suara Karya*, 7 July 1998.

⁹¹*Ibid.* The ex-president, Try Sutrisno gathered the chairs of regional chapters on 7 July in Hilton Hotel to support the nomination of Edi Sudradjat.

⁹²*Merdeka*, 14 July 1998.

⁹³*Jakarta Post*, 12 July 1998.

⁹⁴*Republika*, 4 July 1998. It is also interesting to note a comment from Salim Said, a military analyst, who was saying that Wiranto was in the same boat as Habibie, and that the chairmanship of Edi Sudradjat would mean that Habibie would be over-implying that Wiranto would be over with him (*ASWJ*, 6 July 1998). Many analysts doubt that with the removal of Habibie, Wiranto's career as the Commander in Chief

will be over. However, such a thought surely affects Wiranto's decision to support one of the candidates.

⁹⁵Although before being elected Akbar Tanjung said he would consider resigning from his post in the cabinet, he then decided to keep both positions after the election.

⁹⁶*Kompas*, 22 August 1998.

⁹⁷*Media Indonesia*, 22 July 1998.

⁹⁸Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation*, 52. Under sultanism, all spheres of life -- civil society, political society, and economic society -- are subject to the will of the "sultan". There is no rule of law, and no space for a semi-opposition.

⁹⁹*Ibid.* 7. The authors identified five areas of a consolidated democracy: autonomous and free development of civil society, an autonomous political society, a rule of law, a functioning state bureaucracy, and an institutionalized economic society.

¹⁰⁰*Ibid.* 68-69. Even though a civilian-led government can create obstacles to democratic consolidation, its capacity to do such actions were significantly less than that of a military organization.

¹⁰¹*Ibid.* 22. The authors cited a study by Fernando Limongi and Adam Przeworski on South America. In their study of South America between 1945 and 1988, they found that the probability of a nondemocratic regime would survive three years of consecutive years of negative growth was 33 per cent, compared to 73 per cent probability for the democratic regime. Meanwhile, *no* nondemocratic regime would survive more than three years of negative growth, compared to around 50 per cent for the democratic regime.

¹⁰²*Berita Resmi Statistik*, 2 July 1998.

Democratization, Human Rights Issues, and the Political Role of NGOs in Indonesia*

Muhammad A.S. Hikam

Background

NOWADAYS, to average Indonesians the most popular words have been "crisis" and "reformation." Crisis, like a nightmare, suddenly awakens people from their deep slumber; and its shadow still lingers in their minds long after that. Indeed, like a nightmare, the current crisis seems to be unreal, especially for those who believe in the much advertised notion of "the Asian economic miracle," in which Indonesia has been considered as one of its evidence. By hindsight, such a belief is rather erroneous, and yet the Indonesians are by no means the only party that holds such a conviction. The World Bank had committed to the same error. In September 1997, during which the crisis was already taking place for two months, the Bank announced that "Indonesia has

achieved a remarkable economic development success over the past decade and is considered to be among the best performing East Asian economies." But, it seems not clear enough. In March 1998, it repeated its congratulatory statement by saying that Indonesia "has made great strides in diversifying its economy and promoting a competitive private sectors *through sound macroeconomic management.*" The Bank argues that "much of the dynamism can be traced to the government's reform programme which liberalised trade and finance and encouraged foreign investment and deregulation."

As if to prove that the Bank's assessment has been gravely mistaken, the performance of the Indonesian economy has since been rapidly deteriorating. For the first time since the establishment of the New Order, the country has witnessed its financial institutions collapsing, its capitals floundering, its currency melting down, and its economic growth stagnating. Furthermore, the crisis has also broken down the coun-

* Paper presented at the conference on "Democratization in the Era of Globalization," held by International NGO Forum on Indonesian Development (INFID) in Bonn, Germany, 4-6 May, 1998.

try's macroeconomic performance which can be witnessed in the stagnation of its industries, massive labour lay-off in manufacturing sectors, shortage of jobs in non-industrial sectors, and the sporadic social unrests due to the shortage in basic staple foodstuffs. Both the sheer magnitude of the crisis and its rapid widespread have made it difficult to simply explain the crisis, its causes and implications, only from an economic perspective, for it soon becomes clear that politics play a crucial role in it.

Political dynamics in Indonesian society has, recently, been in the increase again. After short period of decline following the repression of the pro Megawati supporters in 27 July 1996, a surge of democratic waves have come down throughout the archipelago. Reminiscent of the last day of Soekarno, the current democracy movements have been championed by university students who launch their protests in response to the government which is seen as being incapable of mitigating the crisis and its negative impacts on the life of the people. Also like in the past, the ultimate demand of the students has been nothing but fundamental reforms, especially in the body politic. This due primarily to the widely shared assumption that the crux of the matter is in the political realm, namely the absence of a good governance capable of resolving the problems faced by the people, including the crisis.

Tracing back to the past, the demand for political reforms had, actually, been pursued long before the crisis. During the period between 1989-1994, for example, a similar surge of pro-democracy movements in Indonesia was apparent in the Indone-

sian political landscape. They can be seen in the forms of workers' movements, formation of pro-democracy organizations, the installation of election monitoring groups, the establishment of Human Rights watchdog groups outside the existing government-based Komnas HAM, proliferation of NGOs and social organizations which devoted their works in the issues related to empowerment of the grass-roots people, and, last but not least, the revitalization of independent intellectuals who actively engage in discourses and activities concerning democratization. Had these movements lived undisturbed, they would have formed a firm base and conducive environment for the present political dynamics which strengthen democratic impulses and enlarge political awareness among the people.

Unfortunately, as we witness, the development of such democratic movements had taken a rather different course. Several events during the early nineties had distorted, if only temporarily, such a continuity. The banning of the three media, *Tempo*, *Detik*, and *Editor*, as well as the repression of the alternative worker union, SBSI, have rendered pro-democracy movements in Indonesia vulnerable to the government's counter measures. The July 27 Affair only threw a hard blow to the movements when the military, unabashedly, supported the efforts of Soerjadi's camp to repel Mega supporters by force from the PDI head-quarter. The fact that the government had no remorse whatsoever in using ruthless and violent actions in order to silence pro-democracy activists, only force many activists to lie low and retreat in the aftermath of the bloody affair. Furthermore, the subsequent witch-hunting

and demonization campaigns against the PRD members and those of opposition groups pushed even further the activists to a defensive position. Efforts to strengthen the democratic front in the wake of 1997 election were not quite successful, even if laudable ones. Also, despite the occurrences of both covert and overt resistance in many regions against political machination during the election, the fact remains that the ruling party, Golkar, was able to amass a huge number of votes (74 per cent nation-wide). The government has, of course, capitalized the result as a convincing proof that its political legitimacy is anything but eroding, notwithstanding the criticism launched by its detractors from both inside and outside the country.

It is against the above backdrop that the present revitalization of Democratic movements is taking place, only this time, its main protagonist is the students. One may argue, however, that beside those students there is also a growing number among the middle classes elements such as the intellectuals, entrepreneurs, and professionals who have voiced their criticism and comments about the government's lack of seriousness in dealing with the crisis and the need for political reforms. Even those within the government circle have joined and launched heavy criticism as evidenced by the well-known "letter of concern" written by 19 researchers of LIPI (the Indonesian Institute of Sciences) in January 1998. Those government-based institution's researchers deplore the existing economic crisis and its negative impacts, especially on the life of the grassroots people. They see that one of its main sources has been the

lack of good governance and, consequently, political reforms is a must and the resignation of the President is a prerequisite. The letter has prompted warning and reprimand from Mr. Habibie, the then Ministry of Research & Technology, who at that time was contemplating to become the candidate for Vice President.

The pressing question now is whether the novel democratic drive championed by the students will be able to develop into a movement which leads to the substantive political reform in the New Order politics. If the answer is a positive one, then, what kind of roles expected from the Indonesian NGOs to play in supporting such a democratic movement to disseminate the agenda for democratization and the implementation of the universal declaration of human rights. This paper will examine both the potentialities for and the problems of democratization in Indonesia, starting with a critical analysis of the existing political system under the New Order, and followed by examining potentialities for democracy in society, focussing on the issue of civil society and the roles of NGOs in it. Throughout this paper, some problems arising within the processes of democratization, including, among others, the leadership within the existing pro-democracy movements in Indonesia and of the weakness of Indonesian civil society *vis-a-vis* the dominant position of the state will also be presented.

The New Order and the Politics of De-politicization

It has already been well known in the literature of contemporary Indonesian pol-

itics that the New Order's success in maintaining both political stability and order for more than three decades has been due in large part to its ability to install a strong state-based political model. Its predecessors, the liberal democracy and the Guided Democracy regimes respectively, for different reasons, were not able to do so. Under the liberal democracy regime, a strong state never emerged, because there had been no inclination to use such a model for the young republic. However, it was very clear that under the Guided Democracy regime the model was pursued following Soekarno's move to dissolve the *Konstituante* Council in 1957 and, subsequently, he announced the Presidential Decree in 1959 to return to the 1945 Constitution. What happened during the period between 1959-1965 was an experiment of a strong state model for the first time in post-colonial Indonesia which, eventually, failed. Following the aborted coup of September 1965, the Guided Democracy collapsed together with the downfall of Soekarno's dictatorship.

The New Order has, since its establishment in 1967, adhered a similar political model, albeit with totally different strategies. First of all, in contrast to the Guided Democracy regime, the New Order has implemented the model through building a highly cohesive ruling elite groups whose political ideologies and interests are compatible with each other. The elite, consisted of bureaucracy (the civilian and military), the technocrats, and the national bourgeoisie, has its tasks of planning, executing, directing, and controlling the regime's policies and programs under the leadership of a powerful executive branch. The cohesive-

ness of the ruling elite, which was absent under Soekarno, has made it possible for the New Order to maintain a sense of coherence and unity among its members, without worrying too much about internal conflicts among its factions.

But more important, unlike its predecessors, the New Order has succeeded in creating a political format through which the politics of de-politicization of society has been effectively executed. Through the so-called national consensus, the regime has created a set of regulations, best known as the package of the five Bills (*paket lima Undang-Undang*), which has rendered all social and political forces in the society under the state's control. Also, by enacting such political Bills, the New Order has systematically distorted the process of political development in the society in which only a simulacrum of political participation is given for the people through a highly ritualistic and controlled involvement in general elections and legislative deliberations. In the end, such a pseudo political participation only serves as an instrument for mobilization and is nothing whatsoever to do with either political empowerment or education for the people.

The politics of de-politicization consists of two strategies, the direct and indirect ones. The first has been targeted to the rural masses which constitute the bulk of Indonesian population (approximately 70 per cent). It takes the form of the so-called "floating mass" policy, the purpose of which is to limit the activities of political parties as far as the district level. The underlying assumption of the particular policy is to protect the people from political ma-

nipulation done by competing parties which had occurred in the past and engendered political instability and promoting social disturbances. The floating mass policy, thus, aims to minimize or eliminate such a possibility by giving no access to political parties in rural areas and, instead, only allowing to the government to be in charge of providing political education for the grassroots people.

It soon becomes clear that the policy has opened a door for different kinds of political manipulation, but this time its perpetrators are the state's own apparatus. Golkar has become the policy's sole beneficiary, because the existing bureaucratic networks that reach to the lowest level of society are playing the role as its machine for political mobilization. Even if there is no such a manipulation, which is a unimaginable hypothesis, the policy is blatantly in contradiction to the spirit of democratic constitutionalism for it is clearly betraying the very idea of people sovereignty and citizenship.

The second strategy, namely the indirect strategy of de-politicization has been implemented through various mechanisms, most important of which have been the state's corporatization, co-optation, and ideological hegemony. Through the corporatist mechanism, the state is able to exert systematic control and surveillance to the existing interest groups in the society through direct intervention to their existing organizations. Both exclusionary and inclusionary corporatization have been thoroughly implemented by the state and they made it almost impossible for the opposition groups, to openly challenge the state. The exclusionary strategy is applied to those

interest groups, social and political organizations which are suspected as attempting to be independent from the state. The fate of Megawati's PDI, Nababan's HKBP, Pakpahan's SBSI, and Sudjatmiko's PRD are only few examples in which such an exclusionary strategy is quite successfully implemented. Efforts to impose such a mechanism to the NU have been ineffectual due primarily to the political astuteness of its leader, Abdurrahman Wahid.

The inclusionary strategy, meanwhile, has been used to incorporate the existing groups' interests in the society along with the state's own framework. This has been done mainly through careful selections of interest representations from the society and, if necessary, direct intervention to their internal affairs. Thus the establishment of various "*wadah tunggal*" (a single organization) for certain interest groups, the KORPRI for civil servants, etc. This pattern has made it easier for the state to incorporate its interests to those of various groups in the society. At the same time, the state is always in control through its direct or indirect interventions in their internal affairs, especially in strategic policy-making processes and leadership appointment.

The above mechanisms are further interwoven with the co-optation, whose main goal is to appropriate and domesticate leaders in various social and political groups so that there will be a guarantee that oppositions and challenges to the state power can always be put under the state's control. In retrospect, the co-optation strategy has proven to be very effective in deflecting and preventing many potential forces of opposition to the state from being burgeoning. The most well known case has been

the inclusion and co-optation of ICMI (the Association of Indonesian Muslim Intellectuals) and its leaders by the state since its birth in 1991. By inserting ICMI in the state framework and co-opting its potential leaders, the state has thrown two birds with one stone. It succeeds in deflecting potential criticism from some Islamic groups in regard to the New Order's Islamic policy and, at the same time, domesticating the existing forces of oppositions among the Islamic groups. It is no surprising that many well known hardcore Islamists in the past have metamorphosed to become the staunchest advocates of the New Order following its "Islamic-turn" policy in the early nineties. The ICMI case is by no means the only one since a similar strategy had been used also for other strategic groups in the early seventies. Chief among them was those Catholic-Chinese intellectuals who constituted the core of CSIS, a think tank institution established by the late Gen. Ali Moertopo and the late Gen. Soedjono Hoemardani, who themselves were among the leading architects of the New Order.

In its developments, the New Order's politics of de-politicization have brought about devastating effects on the trajectory of democratization in Indonesia. For the first time in the post-colonial era, the majority of Indonesian citizens has been legally systematically deprived from their basic rights, especially the right to participate in the political life. In addition, the New Order has also limited the exercise of the basic rights of many strategic groups in the society such as workers, students, youth, women, etc., by giving them a little room for organizing themselves autonomously. Worse still, the existing politics of de-po-

liticization has, inadvertently, contributed to the *bonsaification* of Indonesian civil society. It means that the existing Indonesian civil society has remained underdeveloped and been incapable of counterbalancing the state power regardless of the economic development and social changes in the last three decades. Not only has civil society remained prone to the state intervention, but it also suffered from the danger of internal conflicts and disunity originating from the endemic particularism in it. The latter has been resulted primarily by the inclusionary corporatism and co-optation strategies, whereby many interests groups have been tempted to use their particularistic identities in their efforts to obtain political access to the state in order to advance their own interests. Thus, even though the New Order has declared the unification of ideology under Pancasila for all political and social organizations, best known as the "*pengasastunggalan*" policy, the fragmentation of Indonesian civil society remains intact which in turn paves the way for sectarianism and primordialism.

The sectarian tendency has brought about impoverishment in Indonesian political culture. This is mainly true in terms of spirits of public responsibility and trust. Moreover, the overwhelming state control and intervention over public life erode the tradition of autonomy existed among groups of society. The decrease of autonomy has led to the prevalent negative attitudes toward public responsibilities and the growth of political apathy, the lack of political creativity, and the overwhelming sense of political despair among members of society, particularly at the grassroots level. These qualities have, inadvertently, contributed to

the fragility of social relations and the difficulty of alternative politics to grow. Instead, the state has been regarded by many Indonesian people as an almost omnipotent and omnipresent entity whose power knows no limits. Unfortunately, the state's self understanding is nothing but strengthening such a distorted view of politics. The belief that the state or the ruling elite know better, while the people are unsophisticated in political affairs, has been deeply implanted in the people's mind as a discursive strategy deployed in the mainstream political discourse. One of its results is a kind of psychological numbness felt by the people which is preventing them from reacting properly and quickly even when the crisis is deepening.

The erosion of public trust has led to another phenomenon, namely the political atomization among individuals and collectivities. This phenomenon is characterized by the rampant disregard of active involvement in public life and, instead, strong commitment to self-interests. Another characteristic is the lack of respect to the social institutions, especially those related to the rules of law, so that people are willing to sacrifice democratic process and procedures for obtaining quick results. The use of violence and abuse of human rights in political process are among the outcome of the absence of public trust. Unfortunately, the tendency of using violence as political means in Indonesia is, by and large, not only the monopoly of the state. Even among the so-called pro-democracy elements, there is a strong tendency of condoning the use of violence decipherable in both their discourses and practices. The students' violence attitudes in Yogyakarta,

Lampung and Surabaya during demonstrations reflect such a tendency, no matter what triggered them.

It is only logical that the absence of autonomy and the lack of public responsibility and trust in the society would serve as a fertile ground for practices which are against the human rights. These practices are perpetrated mainly by the state apparatus but not excluding some groups within the society. The lack of political control exerted by the people through social and political organizations as well as pressure groups only exacerbated them. The mainly dysfunctional social and political institutions, such as the DPR, DPRD, MA, political parties, religious organizations, etc. are the direct outcome of de-politicization. According to Dr. Pabottingi from LIPI, the DPR is no longer functioning as "*Dewan Perwakilan Rakyat*," (representing the people) but instead, as "*Dewan Perwakilan Rezim*" (representing the regime) because of its weakness and lack of autonomy. The same is also true in the case of MA, the Indonesian Supreme Court. The Court have recently become the main target of public criticisms because its failures to show its independence and function as the last bastion of justice in the country. Rather, the MA has made several rulings in favour of the government in many controversial cases such as the Kedung Ombo, *Tempo*, and Ohce cases. On top of that, there has been allegation of existing practices of collusion by members of the Court which, eventually, eroded the public trust to the latter's integrity.

Finally, the politics of de-politicization has been done through engineering con-

sent from the society or, in the Gramscian term, the state's hegemony. The hegemonic project is deployed through discourses of strategic issues such as modernity, development, political stability, and the notion of uniqueness of Indonesia's cultural values. It is through the discourses that the consensus has been engineered, reproduced, and disseminated. The goal of such a consensus is to gain support from the society and avoid the excessive use of repression in building the state's legitimacy. The floating mass policy, for example, has been sanctioned through a legal discourse and therefore it is accepted through people's consensus. In another case, the notion of Asian and Indonesian values has been reproduced by the elite as another discursive tools for mobilizing support to refuse the demand for fully implementing the universal declaration of human rights (UDHR). By appropriating a cultural relativist view, the government has defended the idea that the underlying norms of UDHR have been based on Western values which are foreign to Indonesians. Therefore, it is imperative to conceptualize human rights according to Indonesian own values, in which such notions as the primacy of obligation over rights, collectivity over individuals, obedience over opposition, and economic over political rights will become the normative base.

It is not surprising that any critique of human rights in New Order's Indonesia would be faced with a negative response by the state as being irrelevant or having Western biases. For instance, the demands for freedom of the press, free unionization of the workers, and the withdrawal of the floating mass policy would, for example,

be regarded as irrelevant and out of context. Such demands are suitable only in the Western social and political context and if they are imposed to Indonesia, they will be inappropriate. This double standard views and attitudes toward the West are by no means limited among the power elite circle. On the contrary, they have been disseminated thoroughly into the society through schools, training programs (the P4), mass media, and the public fora, the proponents of UDHR will be labeled as the liberals, and Western minded people who have political agenda and long-term goals are to be suspected (*diwaspadai*). They will ultimately bring the idea of opposition in politics, an idea which is detrimental to the existing political system based upon Pancasila and the 1945 Constitution. In the prevailing political discourse, the latter system knows no such thing as opposition, either loyal one or otherwise.

Drawing on the discussion, it is quite clear why has the democratization process in the country not been going very far for the past three decades. Democratic life in the country has been hindered from flourishing because of the existing politics of de-politicization which has been in place for so long without any significant interruption. Therefore, one of the most important agenda of democratization in Indonesia is removing it from the political format so that the Indonesian citizens could begin to develop themselves as a genuine political actors capable of influencing political processes. By removing such a political set up, the empowerment of civil society can be made possible because it will engender the development of autonomous

associations and organizations in the society which, as we know, are its main ingredient.

Democratic Opening and Its Problems

The above strong-state model advocated by the New Order is not without its shortcomings which may lead to the democratic opening and the rise of democratic movements in the society. Such shortcomings are actually the outcome of internal contradictions which is inherent within the model which could jeopardize its own survival. The first contradiction lies at the very center of the model, i.e. the ruling elite, in the form of accumulation and centralization of political power in the hands of the President. This tendency will, in the long run, result in the personalization of power and the myth of the leader's invulnerability. Although they are effective in the short term, there is also a great deal of price to be paid, namely the fragility of the elite cohesion coming from internal factionalism. The latter would be likely to flourish among the ruling elite's members as competitions for more access to the leader are stronger. Ultimately, the cohesion of the elite, the main source of strength of the system, is gradually eroding and it will accelerate in a crisis situation. In the case of the New Order, the erosion of elite's cohesiveness has clearly appeared, as evidenced by open frictions within the military and technocratic factions as well as within Golkar's top executive body (*DPP Golkar*).

Another source of internal contradiction of the system is the existing political for-

mat which has been used for the purpose of de-politicizing the society. Even though the existing political format has effectively strengthen the state power and influence for so long, it has also undermined them. For, at the same time it has dried up the resources for the system's maintenance and sustainability. The de-politicization process is not merely depriving the masses but also marginalizing those among the elite due to the increasing degree of factionalism. Also, the personalization of power has generated the growth of cliques and conspiratorial politics among the members of the ruling elite which, gradually, will jeopardize its unity. In addition, over time, the efforts to sustain the system are becoming more difficult because the circulation of the elite members is hampered by favoritism and nepotism. This condition is not always apparent, especially when the regime is still capable of buying its fragmented elite members through such rewards as monopolistic concessions and lucrative deals. Yet, in a time of crisis like right now the factional and conspiratorial politics in the ruling elite will be quite transparent which put the regime's legitimacy into vulnerable position.

The politics of de-politicization is, moreover, weakening the very system precisely because it eliminates the possibility of having effective control mechanism required for its own sustainability. By weakening such institutions as DPR, political parties and social groups and organizations in the society, there will be no counterbalancing power which is needed to avoid abuse or excessive measures by the government apparatus. The rampant corruption and collusive practices, as well as excessive bureau-

cratization in almost every aspect of social, economic, and political life are, ultimately, destroying the system's ability to anticipate and resolve crisis coming from internal and external factors.

No doubt, such internal contradictions have become an important source of political decay in all centralized political systems. The New Order's is not an exception in this respect in that it has, increasingly, become more vulnerable to crisis. Part of the problems is its disunited ruling elite which in turn affects its capacity to respond quickly and adequately the political dynamics in the society. We may recall the cases of Marsinah, SBSI workers' movement in Medan, Waduk Nipah, Santa Cruz killing, the July 27 Affair and the last election's Mega-Bintang campaign rallies, etc. All of them demonstrate the increasing inclination of the state to resort to repressive measures, because of the lack of unified strategy in dealing with political pressures. It is possible that the current student movement might also end up with the use of force. Notwithstanding the dialogues between the government and the students, the President personally has allowed the use of repressive measures by field security officials in dealing with "the unruly student demonstrations." More worrisome is the MPR Decree No. V/1998, which gives the President the emergency power "to defend the outcomes of development." This euphemistic statement is a broad provision for the use of repressive measures to any threat to the existing order of things.

In addition to the systemic contradiction, the nature of hegemony itself is always contestable. Thus the discourses and prac-

tices of economic development, the Pancasila democracy, the social and political roles of the military, the floating mass policy, and, the Asian/Indonesian value-based human rights are always contested. It has resulted in the ongoing symbolic resistance by certain groups in the society against the state hegemony which might undermine the latter ideological legitimacy. Such hegemonic contestations take different forms, ranging from the most indirect and symbolic such as the invention of many "*plesetan*" words, jokes, and rumors to the most direct and overt ones that challenge the state openly. The latter can be seen in student demonstrations, workers' strikes, the creation of alternative political parties and labor unions, and rejections to participate in the state's sanctioned political activities. These counter-hegemonic movements, according to Ariel Heryanto, a leading intellectual and a former lecturer at the Satya Wacana University in Salatiga, constitute what he calls "the middle class opposition" to the New Order which has been in the rise since the eighties.

The existence of those internal contradictions in the political format has, undoubtedly, created some cracks on wall of the prevalent political system. It may provide some political openings and opportunities to pro-democracy groups to continue their struggles. Those cracks could be enlarged by other factors, chief among them is the capitalist development which has its own vested interests to such openings de-bureaucratization and less state control. Furthermore, there is also international public pressures which might push the regime to pay more serious attention

to global issues such as environmental destruction, human rights, and democratization. These factors have brought about some positive influences as evidenced by the recent rise of worker movements and the contributions of NGOs in the political discourses and practices in Indonesia. Many NGOs have devoted themselves as a part of the emerging new social movements whose activities include such global issues as human rights, environments, gender equality, and empowerment of civil society.

From the discussion so far, it soon becomes clear that democratization in New Order's Indonesia will be determined ultimately by the dialectical relationship between the dynamics within the ruling elite of the state and the capacity of existing actors of democratization in the society. In other words, the ruling elite as a dominant power will not relinquish its influence without strong pressures from below, even though it has faced a lot of internal and external pressures. The problem lies in the extent to which the democratic elements and actors are able to form strong and organized movements aimed at building alternative polities in the near future. Without such movements, it is quite difficult, if not impossible, to challenge the state dominant power and legitimacy even if it is now in a crisis situation.

Notwithstanding the current crisis, the cracking of the system's wall and the widespread demands for reform, the road to democracy in Indonesia is neither nearing to the end or going to be a smooth enterprise. The current crisis situation is surely providing an opportunity for the pro-demo-

cratic forces to intensify their pressures to the state. Nevertheless, it is too early to expect that it will automatically lead to the demise of an authoritarian regime once and for all. It may only bring about its tactical retreat until a degree of recovery is achieved and the process of consolidation will start again. It is true that the recovery and consolidation will depend on the ability of the ruling elite to rebuild a sense of cohesiveness among its factions as well as regain its solidification after experiencing a serious set back. But it is also equally true that without a clear direction of democratization and strong support from the society, the return of authoritarianism in Indonesia is just a matter of time. Even if granted that there will be a sort of structural adjustment at the levels of state and society, however, a significant alteration toward a democratic polity and society in the post-recovery political system remains to be pursued. For it is quite easy for an authoritarian political system to resurrect within a de-politicized society.

Thus the task ahead of the pro-reform groups is to build a strong, well organized democratic movements encompassing all elements within the society who are really sharing a common platform of democratic polity and society, because up until now the democratic movements in Indonesia have been sporadic in nature and having myriad of political visions, platforms, and agenda. Clearly, such diversities are not bad in themselves considering that democracy is always implying the diversity of ideas and practices. And yet, without such a common platform shared by diverse-political groups it is mightily difficult to

even imagine that a democratic force capable of pressuring the state could exist. As mentioned earlier, the entrenchment de-politicization for the past three decades has destroyed any effort to create a semblance of political front aimed at unifying democratic elements within the society in order to balance the state domination. This is not to be little attempts to form a democratic grouping such as the Petition Group of Fifty, the Democracy Forum, FPKR, MARI, and the most recent one, the Gema Madani group in order to muster political alliances from different political and social groups and ideological persuasions. It remains to be seen, however, whether these groups would emerge as catalysts of the formation of a national democratic front. The sad fact is that their activities are still limited in Jakarta and their membership is also consisted of small circle of activities, while their political influence are more symbolic than real.

The agenda of forming national democratic front should start with determining normative grounds upon which the front can be established. The step is crucial, for despite the adherence to the constitutionalism and Pancasila, there are still differences on the visions of democratic polity and society among the democratic elements. Those who adhere to a secularized vision of politics insist on the formation of democratic polity and society in which the notion of citizenship together with its inalienable rights becomes its very basic norm. They do not reject the roles of religion in the individuals and societal life, however, they are quite wary of the use of religion as a political ideology which had proven to be detrimental in the past.

On the other hand, there are quite a number of leaders in the society who reject such a vision of politics and, rather, defend identity-based politics. For example, many Islamic intellectuals, activists and community leaders maintain that since Islam acknowledge no separation between religion and politics, it is wrong to follow the secularization thesis. On the contrary, Islam seen as a total and encompassing system should be used as an alternative base for creating a democratic polity and society in Indonesia. Another version argue that even though an Islamic state in its formal form is no longer a politically viable alternative, the case is different for the establishment of an Islamic society. Therefore, the adherence of this view would struggle for Islamization of the polity and society through which Islamic *shariah* (law) would be enacted.

The above differences of the normative ground could, obviously, impair the inception of a shared political platform for democratization and, instead, open to internal rifts among the currently still fragile democratic forces. Already we saw that the state has cunningly valorized the interests of some Islamic groups and co-opting them through some policies which may wear down the democratic elements in society. This problem is quite serious that Abdurrahman Wahid, best known as Gus Dur, has warned about the rise of sectarian tendency in Indonesian politics. What he means is the appropriations of religious and other, primordial elements as tools for attaining political goals by certain individuals and groups in society, particularly among the Muslims supported by some elite factions within the state. This phe-

nomenon has turned the clock of Indonesian politics back to the era of "*aliran* politics" in the fifties, when ideologies reigned supreme in the body politic. Its outcome was ultimately the breakdown of democratic forces and the inevitable rise of an authoritarian regime.

Concluding Remarks: The Role of Indonesian NGOs

It is no doubt that in various ways the existing Indonesian NGOs could play a pivotal role in the process of strengthening democratic force in Indonesia. The NGOs could empower the still weak civil society through their community-based programs and advocacy activities at the grassroots level. At the same token, they could also give inputs to the making of strategic concepts for establishing a strong democratic front in the future, based upon their concrete experience in the fields. The latter is crucial because many seemingly excellent and attractive ideas offered by intellectuals and scholars are unworkable due to their incompatibility with the people's needs.

There are some institutional characteristics of the Indonesian NGOs which may be potential for the empowerment process. First of all, they are quite large in number and diversified in programs and projects which make it possible for them to reach the remotest areas in the country. Many NGOs have also played the role as alternative channels for those marginalized people whose voices are hardly heard and therefore become a sort of substitute for the existing political institutions. One needs only to recall the activities of the

ISJ among the squatters in Jakarta, of the Girli among the street children on Yogyakarta, of the Humanika among the workers in Surabaya, and of those NGOs working on legal aid, health, and education which provide services and advocacy for the downtrodden people throughout the country. Finally, the NGOs also have had good networks both at the national and international levels which can be appropriated to disseminate information related to empowerment of civil society.

The Indonesian NGOs are well rooted in some of cultures and communities, making them an integral part of its social traditions. It may regard such traditional institutions as the *pesantrens*, *subaks*, *lumbung desas*, etc. as being well entrenched within Indonesian's traditional social structure. These institutions could play an important role as bulwarks against external forces which attempt to homogenize the plurality of tradition and social practices. To illustrate, it was the *pesantrens* that became the foundation of the largest Muslim organization, the *Nahdlatul Ulama* (NU), when it was established in 1926. In its developments, the organization has also actively involved in the NGO movement through its various sub-organizations such as Fatayat, Lakpesdam, LKK, RMI, Ma'arif, etc. whose branches are widespread in the twenty six Indonesian provinces. Their activities include provision of basic education, community development programs, publications, poverty alleviation programs, people's credit banking (BPR), etc. This is not to mention the existence of thousands of *pesantrens* affiliated with the NU whose contributions to education and social activities are widely acknowledged.

Having said that, the above institutional and cultural potentialities have yet to be developed in order for Indonesian NGOs to facilitate the growth of a strong and independent civil society in the country. NU is the case in point. It still has to overcome its shortcomings before this religious organization could become a strong backbone of the Indonesian civil society. They include, among others, its lack of modern managerial skills, its dependence on the external support, and its weakness in organizational capacities. These shortcomings are by no means plagued only the NU. Most of the NGOs are facing more or less similar problems, even though some of them might have better resources and organizational capabilities.

In addition, there are also several important tasks to be done by Indonesian NGOs to support the empowerment of civil society. They include the need to critically reconsider the underlying paradigm of development prevalent among the NGOs. They also need to minimize their dependence on external support either in terms of funding, expertise, and capacity building. Last but not least, the NGOs need to improve their organizational skills which directly affect their activities and bargaining position *vis-a-vis* the state.

It is imperative, therefore, that NGO leaders and activists have a clear under-

standing of their strengths and weaknesses for the task of empowering Indonesian civil society. To do so, they should get involved in public discourses more frequently and try to influence the decision-making processes at all levels of society. The ongoing crisis situation provides opportunities for the NGOs to voice their agenda for reforms together with other democratic elements in the society. In this respect, the Indonesian NGOs could support the ongoing student movements by contributing their expertise and networks. They could also join hand in hand with the intellectuals, religious leaders, and the media to garner public opinion aimed at strengthening public pressures to the state.

For a long term agenda, it is possible that the NGO play the role as an agent of political education at the grass-roots level concerning democratic ideas and practices. This is very urgent task, considering the fact that those are the main, if not the only, victims of the politics of de-politicization. With their vast networks and better qualified personnels, the Indonesian NGOs could create and disseminate programs aimed at implanting political awareness as well as energizing the people to struggle for their basic lights. Both *conscientization* and advocacy programs are badly needed by the majority of Indonesian people and the Indonesian NGOs are quite well equipped to perform such tasks.

Responses of the Young Elite of *Nahdlatul Ulama* to the State and Ideology of the New Order

Kacung Marijan

THIS paper discusses the responses of the young elite of *Nahdlatul Ulama* (NU)¹ to the understanding and interpretation of the New Order concerning the state, its ideology, as well as its political economic policies. It also attempts to look at how the young elite perceive the political role of the military

or ABRI² --, which is particularly important in the New Order government. Considering that the young elite are from and live in the religious community, this paper also looks at the extent to which the religious consciousness of the young elite contributes to their responses.

¹*Nahdlatul Ulama* (Religious Scholar), is a traditional Islamic Organization which was founded in East Java in 1926. It commands the support of some 30 millions Indonesian Muslims -- makes it as the largest Islamic organization in Indonesia -- and led by Abdurrahman Wahid, whose grandfather -- Hasyim Asy'ari -- was the founder of the organization. Under Wahid's leadership, NU has been guided in the direction of religious tolerance. See Michael Leifer, *Dictionary of the Modern Politics of Southeast Asia* (London: Routledge, 1995). What I mean with the young elite here is twenty young prominent figures of the young generation of NU in the district of Jombang, East Java. Jombang is acknowledged as one of the heartlands of the NU. Three keys founding father of the NU, the late Kiai Hasyim Asy'ari, the late Kiai Wahab Chasbullah, and the late Kiai Bisri Sansuri were from Jombang. NU itself was founded in Surabaya on

31 January 1926 as a response of the increasing Islamic reform movement. The main purpose of NU has been to maintain and develop the Sunnith Islamic thought. See, my book, *Quo-Vadis NU Setelah Kembali ke Khittah 1926* (Jakarta: Erlangga, 1992).

²ABRI is an abbreviation of *Angkatan Bersenjata Republik Indonesia* (the armed forces of the Republic of Indonesia) which consists of four forces: the Army, Navy, Air Force, and the Police. Historically, the root of ABRI was a sort of fusion among the ex-KNIL (Royal Netherlands Indies Army), the ex-PETA (Defender of the Motherland, an army which was built by the Japanese colonialists) and the young guerrillas who struggled for independence. See, A. Sundhaussen, *The Road to Power: Indonesian Military Politics 1945-1967* (Kuala Lumpur: Oxford University Press, 1982), 13-18.

The State and Ideology

The New Order government defined the state of Indonesia and its ideology as different from those of the Western states. In the Western point of view, for example, the interests of individuals or groups are acknowledged as being part of society's plurality; thus, everybody or every group could pursue their interests through the social and political process. In this sense, one function of the state is to facilitate people in articulating their interests. In Indonesia, however, the interests of society are put above the interests of the individuals and groups. As President Soeharto and many Indonesian elites argue, this differences are due to the fact that Indonesia has its own values which, in terms of social and political interaction, emphasize family values.³ As a consequence, the state of Indonesia has been conceived as the state of family, or the integralistic state. In political terms, this concept is similar to the concept of the organic or corporate state in which the state is conceived as a collection of interests unified under a central power.⁴ In reality, however, the corporate state differs from the family state. As Robison argues,

"Indonesian corporatism is less concerned with the interest representation than with state control and social discipline. The non-competitive political organizations within which political activity is confined do not constitute a classical tripartite bargaining arrangement between labour, capital and the state but, rather, a mechanism for domination by an authoritarian regime".⁵

Ideally, the family state is described as a kind of state in which co-operation among its components is a necessary condition for underpinning its strength. Thus, the framework of the state seems to look like those of a father, mother and children who work together as one group. In addition, the concept of family itself is opposed to the concept of family in the Western society where the family norm is considered to be a nuclear family with a supposedly, egalitarian model of relationships among the members.⁶ In Indonesia, this notion is referred to the extended family of the old Javanese culture which is patriarchal in nature. In this model of a family, the role of a father is substantially dominant, not only in providing a living for the family members, but also in the decision making processes.

Basically, the nature of the Indonesian state is similar to the family of the old Javanese culture. In this sense, the presidential functions as a father with the domin-

³G. Dwipayana and Ramadhan K.H., *Soeharto: My Thoughts, Words, and Deeds: An Autobiography* (Jakarta: PT Citra Lamtoro Gung Persada, 1991), 224 and 330-331. The discourse of the family state itself was widely elicited and debated by prominent figures such as Ki Hajar Dewantara, Prof. Soepomo, Soekarno and Moh. Hatta during the formulation of the Indonesian constitution prior to the Independence.

⁴For further discussion see, D. Reeve, *Golkar of Indonesia: An Alternative to the Party System* (Singapore: Oxford University Press, 1985), 1-47.

⁵R. Robison, "Indonesia: Tensions in State and Regime", in K. Hewison, R. Robison, and G. Rodan (eds), *Southeast Asia in the 1990s: Authoritarianism, Democracy and Capitalism* (Sydney: Allen & Unwin, 1993), 45.

⁶Feminists, of course, point out that the supposed egalitarianism in relationships is often a fallacy. Also, one must question whether in practice, children have equal rights with their elders.

ant role and who becomes a central figure in the decision making processes.⁷ The officers surrounding him are, essentially, his subordinates. In this context, the presidential institution is more powerful compared to other political institutions, such as the *Dewan Perwakilan Rakyat* (DPR: People's Representative Council), the *Majelis Permusyawaratan Rakyat* (MPR: People's Consultative Assembly) and also other political parties, even though, normatively, the MPR is institutionally higher than the president. Thus, the nature of the state is that of an authoritarian state, in the sense that people are isolated from the political processes.⁸

Such a political context is legitimized by the state ideology, *Pancasila*. In the fourth principle of *Pancasila*, it is stated that "a democracy is led by the wise policy of the mutual deliberation of a representative body", a principle interpreted to mean that the political process has to be conducted through deliberation leading to consensus (*musyawarah mufakat*). During the Soekarno government, this

principle was interpreted to mean that the form of democracy in Indonesia was a Guided Democracy. In this kind of democracy, whilst the people were allowed to debate any political issues, the final decision was in the hands of the leader (president). Conceptually, the decision making processes in the New Order government can be distinguished from Guided Democracy in the sense that the highest authoritative power does not lay in the hands of the president but the MPR. In practice, however, decisions come from the Presidential institution, with almost all of MPR's decisions made from the presidential palace. In addition, most members of the MPR are appointed by the president. In the period from 1992-1997, for example, of the 1000 members of the MPR, only 400 were elected through the general election.

Political scientists who are concerned about Indonesian politics view the ways the New Order defines the state and ideology as a manifestation of the development of the state itself and the growth of capitalism. As Liddle argues, the emergence of "personal rule" in Indonesia is, as in other developing countries, caused by the imperfect building of political institutions:

"In these structureless environments, personal rule has been the almost inevitable alternative. Strong individuals, typically supported by armies, installed themselves in presidential palaces (formerly the residences of governors-general, also originally installed by armies) and swept away the flimsy and hastily erected democratic scaffolding of late colonialism".⁹

⁷In the Javanese system of kinship, people who obtain high respect are grandparents, the parents and brothers or sisters of parents. However, in terms of authority, the position of a father is very important. See, H. Geertz, *The Javanese Family: A Study of Kinship and Socialization* (New York: Free Press, 1961), 21.

⁸Huntington mentions three forms of authoritarian regimes in the contemporary world: one-party systems, military regimes, and personal dictatorships. See, his book, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1993), 110. Considering that in Indonesia the military and the presidential institution are powerful, Indonesia can be categorized as a mixture of military regime and personal dictatorship.

⁹W. Liddle, *Leadership and Culture in Indonesian Politics* (Sydney: Allen & Unwin, 1996), 15.

Indeed, from this perspective, the position of the New Order state and the Soekarno government is not substantially distinguishable because, in both of them, the position of the president is too powerful.¹⁰ Both also use ideology to support their position. However, the New Order state does differ from the Soekarno's Guided Democracy, with respect to the nature of the involvement of the military in politics and political processes. In the New Order government, their involvement has become far more institutionalized compared to that of the Soekarno era.

Another Indonesianist, Herbert Feith, characterizes the state of Indonesia as a "repressive developmentalist regime".¹¹ He explains the phenomenon of the New Order as a strong-state by looking at the interests of the state which are namely, to carry out economic development. According to Feith, there are five characteristics of this kind of regime: "economic growth, political repression, statist and developmentalist ideology, bureaucratic streamlining, and its limited and distinctive forms of restratification".¹²

Since the end of 1960s, Indonesia's economic growth has increased sharply, partly due to the oil boom of the early 1970s, as well as the inflow of foreign capital and the role played by the state enterprises. In addition, in establishing and maintaining political stability, which is assumed to be the precondition for economic development, the state has conducted political repression over extra-state forces. Like other developing countries, the Indonesian state conceives itself as an actor in development.¹³ It has an established ideology of development that "stresses the moral claims of the state: national discipline, national unity, the importance of stability for national development and the mischievousness and divisiveness of politics."¹⁴ This kind of ideology was not rooted in the indigenous values but based on the secular values of pragmatism, rationalism and internationalism.¹⁵ In handling the pursuit of "development", "technocrats", mostly graduates from the universities of "developed" countries, have had an important role particularly in planning and implementing formula of development. In doing this, they co-operate with the military apparatus. Finally, as a consequence of economic growth, a number of people such as professional and business groups have obtained advantages in terms of salary and

¹⁰The notion that there is similarity between Soeharto's New Order and Soekarno's Guided Democracy is also stated by Jackson. Both of these government have been characterised by the centralisation of power in the hand of the president which was called "bureaucratic polity". K. Jackson, "Bureaucratic Polity: A Theoretical Framework for the Analysis of Power and Communications in Indonesia", in K. Jackson and L. Pye (eds), *Political Power and Communication in Indonesia* (Berkeley: University of California Press, 1978), 3.

¹¹H. Feith, "Repressive-Developmentalist Regimes in Asia: Old Strengths, New Vulnerabilities", *Prisma*, no. 19 (1980).

¹²*Ibid*, 43.

¹³See, S. Alatas, "Theoretical Perspective on the Role of State Elites in Southeast Asian Development". *Contemporary Southeast Asia*, Vol. 14, no. 4 (1993): 386.

¹⁴Feith, *Repressive-Developmentalist*, 48.

¹⁵M. Maso'ed, "The State Reorganisation of Society Under the New Order", *Prisma*, no. 47 (1989): 47.

wealth. This has created gap between them and the rest of the urban inhabitants and the poor of the countryside. The gap can be seen in the expenditure share of people based on the Gini ratio which, in 1990, indicates that the lowest 40 per cent of people in Indonesia shared only 21.3 per cent of the total expenditure, while the top 20 per cent shared 41.9 per cent.¹⁶

From another viewpoint, Richard Robison has pointed out that the effort of certain Asian countries to distinguish their political values from the Western model of democracy is intended merely to develop an ideology that will establish and maintain political stability in order to guarantee the position of the ruling elite in power and the continuity of economic development.¹⁷ This kind of phenomenon is also found in other countries at the early stages of economic development, including a number of Western countries when they were in their early stages of industrialisation.

The position of the young elite in responding to the ways in which the New Order government understands and interprets the state and ideology differs considerably from the interpretation of the political scientists. What they are talking about is not why the phenomena happened, but what should have happened -- taking a more normative point of view. Like intellectuals concerned with politics,

most of the young elite favour more democracy in Indonesia. In such a democratic state, the interests of individuals or groups in the nation-state of Indonesia would be acknowledged, with the state providing political institutions through which the pluralist interests could be pursued. In addition, one subject argues that, through the democratic state, the huge economic and political gap between the have, and the have nots, could be reduced. This suggestion is made due to the fact that the centralisation of economic and political assets in Indonesia has been caused by the absence of social and political control. The way to solve this problem is through democratisation.

Nevertheless, the sense of the democratic state they envisage differs from that in the Western states. In the modern state, the influence of religion in the political process is ignored. This is a result of secularization of politics in which the relationship between church and state has been strictly separated. All of the subjects have pointed out, that though they favour the model of Western democratic states for establishing Indonesian democracy, they disagree with the idea of separation between the state and religion. This is because this idea seems to avoid the importance of religion in influencing the decision making process in the state. For them, even though the state should not explicitly acknowledge a particular religion as a state religion or allow it to become the foundation for political life, to some extent the state should provide religion with the space or opportunity to influence the political process, in particular, those policies requiring a spiritual perspective.

¹⁶Biro Pusat Statistik Jakarta, *Welfare Indicators* (1992), 101.

¹⁷R. Robison, "The Politics of 'Asian Values'," *The Pacific Review* 9, no. 3 (1996).

Furthermore, as a consequence of this interpretation, the involvement of religious leaders in the political processes is also an issue. When asked why must the religious leaders be involved, most of the subjects argue that this is because the religious leaders understand the teachings of religion more than do the followers. This might have been a subjective interpretation reflecting the young elite's position as part of the group who are commonly regarded as the religious leaders. By making a place for the *kiais* (which is also known as *ulama* or religious leaders), in the political processes, the *kiais* may receive particular privileges serving their particular political and economic interests, as occurred when NU was actively involved in politics.

Apart from this self-interest and interpretation, giving a space to the religious leaders in the political processes could be seen as a necessary condition for creating a better state. In their understanding, a better state is such when there is a good relationship between the government officials and the religious leaders, or between the *umaro* and *ulama*. A young *kiai* who has a purely *pesantren* (the traditional Muslim School) educational background argues:

"According to the Hadith (Prophet Muhammad tradition), the best relationship between the *umaro* and the *ulama* is if the *umaro* comes to the *ulama* to obtain advice. In contrast, such relationship will be the worst when the *ulama* comes to the *umaro* to articulate his individual interests".¹⁸

¹⁸The exact words of this Hadith are "the worst among the *ulama* are those who go and see the *umaro*, while the best among the *umaro* are those who come and see the *ulama*". According to Yazid and Koho, as quoted by Bruinessen, this

In his assertion, the ideal relationship is not occurring in Indonesia. It is true that many political elites, both at the local and national level, come to the *ulama*. Their coming, however, has not been initiated by the desire to obtain particular "spiritual" advice from the *kiais*, being more driven by political interests. For example, many political elites come to the *kiais* during the general election with the intention of obtaining support for their party. Others come to obtain support and legitimation in implementing certain development programs, such as the family planning programs.

This assertion, however, is not fully accurate, as the *kiais* also gain particular advantages from the relationship. Those national and local elites do not only visit the *pesantren* with the special purpose of obtaining political support during particular occasions such as the general election. In fact, there are complex interests within that relationship. Instead of obtaining political support, the national and local elite also have an interest in guiding the *kiais* away from being in opposition to the government.¹⁹ In addition, usually, the national and local elites who visit the *pesantren* also bring something which is needed by the *pesantren*, such as money and other gifts to develop the *pesantren*.

Hadith is actually "weak" (*da'if*) which means that the Prophet Muhammad might not have exactly said it. See, M. Bruinessen, "Indonesia's *Ulama* and Politics: Caught between Legitimising the Status Quo and Searching for Alternatives", *Prisma*, no. 49 (1990), 52. Notwithstanding, many *kiais* often quote the *Hadith*.

¹⁹This notion obviously appears because of the historical fact that, in the past, many *kiais* supported the Islamic party which was quite critical to the government.

When the president or vice president or ministers visit the *pesantren*, for example, the local government improves the roads which link the city to the *pesantren*. Another positive impact is that the *pesantren* eventually becomes more famous through such visits than before. As such, the *kiais* also obtain benefits from their relationship with the *umaro*.

Furthermore, though the young elite demand the ideal relationship between the *ulama* and the *umaro*, they realize that this notion could not fully be realized in Indonesia. The Pancasila state of Indonesia is often described as neither secular nor theocratic. Thus, it is impossible to formally give a special space for the religious leaders in the political institutions. What they want is that the government should consider these religious leaders as spiritual leaders who can contribute spiritually to the process of development. Therefore the locus of *umaro* is not clearly separated from the *ulama*.

The problem then is, what sort of space is the position of the *kiais* in the political process? All of the young elite do not pretend that the *kiais* must be given a formal political position, say, in the parliament or in the ministerial position. What they wish is an informal position in which the *kiais* are still regarded as spiritual advisors to the political elite, who will be consulted for the spiritual problems of development. In this notion, the locus of the *kiais* is still in the spiritual field. Thus, the process of development is not strictly separated from the values of religion. One subject who is currently studying a post-graduate program in Islamic studies, argues:

"I think it is not necessary to put the *kiais* in the formal political institutions, such as in the parliament. Those political institutions such as the DPR/the MPR can be run by professional politicians. It is better for the *kiais* to teach in the *pesantren* rather become politicians. If the *kiais* become politicians, who will teach Islam in the *pesantren*? I think, the *kiais* should only be a moral force, that is, religious scholars who strengthen our society".

Nevertheless, the notion that the *kiāi* should be placed as a spiritual leader is responded critically by another young elite. A grandchild of Kiai Bisri Sansuri argues:

"I see that in Indonesia there is a separation between the state and Islam. However, this is a sort of separation that reflects two sides of a whole. Religion functions to legitimize government policies. This does not occur in pure separation".

However, he can accept the function of religion to legitimate government policies as long as it is based on pure spiritual considerations. In Indonesia, he asserts that political considerations have more weight than religious considerations, and therefore, he cannot accept this condition.

In addition, concerning the state ideology of *Pancasila*, the understanding of the young elite are relatively similar to the elder elite of NU. They realize that, as long as the Islamic state or ideology of Islam could not be realized, the existence of the state and ideology which tolerate and give freedom to the Muslims to perform the teachings of Islam is acceptable. This notion is, to some extent, referred to as the Syafi'i school of thought's idea that when the *dar al-Islam* (Islamic state) could not be reached, the Muslims could choose the *dar al-sulh* (peaceful state) in which

people are still allowed to perform the teachings of Islam even though the state is not run through the Islamic model.

The young elite believe that the values in *Pancasila* do not contradict with the values of Islam. The basic principles of *Pancasila* are: the state acknowledges the Only one God (*Ketuhanan Yang Maha Esa*) and the freedom of people to hold and perform their religions.²⁰ A young elite who obtained a degree in Arabic Literature argues that the values of *Pancasila* reflect the teachings of Islam. He gives an example of the first principle "the Only One God". This is a concept of Islam of *Tauhid* (the doctrine of Oneness) which only acknowledges monotheism. Therefore, *Pancasila* is suitable for Islam but probably not for other religions such as "animism". Further he explains:

"In Indonesia many people still believe in polytheism, such as those who hold animism and dynamism. Theologically, among the five religions which are acknowledged by the government, there are religions which believe in more than one God. It means that these beliefs and religions do not really suit *Pancasila* because *Pancasila* only acknowledges one God".

Indeed, as with other young elite, he acknowledges and respects the holders of other religions. What he emphasised here, however, is that *Pancasila* is probably more suitable for the Muslims than those holding other religious beliefs.

Their acceptance of the ideology of *Pancasila* is also legitimized by the historical point of view. All the subjects mention that one of the formulators of *Pancasila* was Kiai Wahid Hasyim, a leading figure of NU in the 1940s and 1950s. Other Islamic leading figures were formulators. This history is interpreted to mean that the leaders of Islam accommodated the teachings of Islam in the state of ideology. Indeed, initially, as stated in the Jakarta Charter, the leaders of Islam put additional words into the first principle "with the responsibility to perform *Syariah* (law) *Islam* for its adherences". However, they agreed to erase these words after considering that many people in Indonesia hold other religions.

The consideration that other religions also exist in Indonesia, therefore, is another reason for the acceptance of the young elite of the state ideology of *Pancasila*. As a young *kiai*, originally from the north coast of Java, argued "*Pancasila* is the ideal ideology for Indonesia because, by this, all religions can accept it. If the ideology of Indonesia is derived from a particular religion, say, Islam, other religions might not accept it". This notion, he adds, is similar to the teachings of Islam which give freedom for human beings to hold their own beliefs. The teachings of Islam is only to give a guidance as to which religion is the "truth" and blessed by God.

Even though the young elite accept, and do not oppose, the state ideology of *Pancasila*, they criticise the ways the government interprets and implements it. According to them, the interpretation of ideology in Indonesia always comes from the state elites and does not involve the people very much,

²⁰This acknowledgment of people to choose their religion is basically not total because, in fact, the Indonesian government only acknowledges five religions: Islam, Catholic, Protestant, Hindu, and Buddhist.

including the religious leaders. This dominance may be all right as long as the interpretations reflected in the government policies are suitable for the people. In actual fact, however, there are a lot of policies that do not serve the interests of the people, such as the policy to limit the number of political parties, and the number of those unaligned in political process (floating-mass policy). In addition, the values of *Pancasila* are not fully implemented in daily life. As one subject -- quoting one of the values of *Pancasila* "the pattern of simple life" -- explained, many state officers have campaigned on the basis of this value, but not implement it in their own lives.

Political Economic Policies

To distinguish itself from the previous government, the New Order government has offered programs with more emphasis on economic development; an emphasis indicated by the slogan: "development = yes, politics = no!" This emphasis, however, does not mean that the New Order ignored political development. Since the early years of the New Order, the government has paid special attention to political development. Nevertheless, the sense of political development was not intended as an effort to strengthen the political participation of people.²¹ As noted earlier, it was aimed to control the political participation in order to create and maintain political stability. The latter has been assumed as the primary

condition for the security of economic development.

As a consequence of such processes, the political economic development of Indonesia seems to be elitist, its process and implementation only involve a small portion of the population. An "outward looking oriented" strategy of development, for example tends to benefit owners of the capital rather than people in general. As a result of this strategy, there has been a huge increase in per capita income and a transformation of the economic structure of Indonesia. However, it also has created a gap between the rich and the poor which, in the 1980s and the 1990s, is very salient. A young elite who graduated in public administration explains,

"The current huge social economic gap between the rich and the poor in Indonesia occurred because the government would rather build the "cake" of development first rather than use a distributive model of development. As a result, only a few people and groups enjoy the economic development".

In his explanation, the internationalization of the Indonesian economy will eventually only advantage those who have capital and entrepreneurial skills. For other people, this process is sometimes disadvantageous because they cannot compete with owners of capital and, if they are workers, their position is so weak. This condition was made worse by the lack of openness in the political process in Indonesia. According to a young elite, who had just finished his post-graduate program in political science, the lack of openness in the decision making process has meant that the government policies only advantage a number of people primarily because the process is unfair. He

²¹L. Pye, *Aspects of Political Development* (Boston: Little, Brown and Company, 1966), 39; C.H. Dood, *Political Development* (London: Macmillan, 1972), 25.

gives the example of a decision making process regarding the nomination of who would win a tender for government projects:

"The decision-making process of who wins the tender of government projects in Indonesia is not open and competitive. The winners of these projects are usually those who are close to the government officers or the family of the government officers. As a result, the quality of the project is not really good".

The fact that some government projects merely benefit particular people was also expressed by a young elite who was currently a member of the local parliament within the PPP.²² One day he found out that one project from the IDT Program (*Inpres Desa Tertinggal*; the President Instruction for Underdevelop Village Project) in Jombang was not directed for the poor people but for those who are no longer categorized as poor. He explains, "when my colleagues investigated this case, they found that these people obtained the project because of their special relations with a local government official".

Due to the fact that the economic problem is related to politics, some young elite propose to improve this political condition. In their opinion, as long as the political condition is relatively isolated from the people, it is not easy to improve the political economy of Indonesia. A member of the local parliament from PPP further see that:

"Our democracy is often called Pancasila democracy. But when I observe deeply it is not different to the Guided Democracy of President Soekarno. Yet, the New Order government plays the political game so subtly such that the political condition looks different from that of the Soekarno government".

He thus proposes that it is better for Indonesia to return to liberal democracy, such as in the 1950s, meaning everyone and every political party respectively have a similar opportunity to pursue his/her/its interests. However, in a sense, this liberal democracy is different from that of the 1950s. He argues that the failure of the liberal democracy in the 1950s was due to the lack of political rules. Therefore, in order to improve the political condition in Indonesia, it is important to implement the political rules for political parties, such as, the rule on how to handle political conflicts among political parties.

Though all young elite agree with the idea of giving freedom for the people to establish their own party, they did not mention clearly that the form of the political system of Indonesia must be a liberal democracy as the activist of the PPP, just noted above, suggested. Notwithstanding, in the sense that the state of Indonesia must be a democratic state indicates that most of the young elite agreed with the ideas of liberal democracy. This, for example, is clearly shown by another young elite. He says:

"In my opinion, the effort of the government to simplify political parties, from ten to three, is not successful. Political conflicts within the political parties recently have altered political conflict among political parties in the past. In my opinion, it is better that Indonesia only have two political parties, one being the ruling party, the other, the opposition party".

²²There are three political parties in Indonesia; the Functional Group (*Golongan Karya/Golkar*), the United Development Party (*Partai Persatuan Pembangunan/PPP*), and the Indonesian Democratic Party (*Partai Demokrasi Indonesia/PDI*).

He argues that through the two political party system, each party can control the other and try to articulate the interests of the people. Nevertheless, seven of the subjects mention that the granting of political freedom must consider the condition of society. A grandson of *Kiai* Hasyim Asy'ari argues,

"I do agree with the idea of political freedom in Indonesia in which people can pursue their rights to establish a political party without any limitation. The problems is, is our society ready for that? If our society is not ready, I wonder whether giving political freedom will imply a return to the condition of the 1950s".

In his opinion, the people should be prepared through political education. However, the process of political education in Indonesia is not yet good. He gave an example from the general election which was regarded to have been conducted through unfair manners.

The demand for more political freedom to establish political parties among the young elite can probably be attributed to their interest in reviving the NU party. It can be seen by the expression of a young elite who is a member of local parliament. He mentioned that "if NU become a political party again, he will join it". Furthermore, the notion that NU should return to the *khittah* 1926 is seen by another young elite, "Kiai Dul", a possible strategy to be considered. The notion which was decided in Situbondo, East Java, in 1984, show that, politically, NU is "*dibondo*" (meaning restricted). According to "Kiai Dul", this is because NU is the only religious organization which has a huge member and the potential to challenge

the government -- as seen in the 1971 general election. Nevertheless, the other eighteen subjects still consider that return to the *khittah* of 1926 is an appropriate policy for NU. By this policy, members of NU would not be suspected of being opposed to the government any more. This notion corresponds with the observation of Bruinessen who says:

"The depoliticisation of the NU satisfied all these interests: the government perceived that the NU had left the opposition branches; NU contractors got their tenders; the senior ulama felt that they had a better grip on the organisation; while *kiai* could establish relations with the *bupati* or *camat* (head of district) or with the Golkar organizations, without feeling disloyal towards the NU".

In addition, regarding the demand for political freedom, the problem is how to restructure the law pertaining to political parties to enable the people to get the freedom to establish their political party? None of the young elite suggest that the change must be conducted through revolutionary methods. As with the many political elite, the young elite favour gradual political reform.²³ The young elite who are concerned about this matter propose that the restructuring of political parties is possible if the government wants to do it. This suggestion is similar to the idea of political theorists who are concerned about democratization, that is, that the political elite have significant role to play in contributing to the transformation from

²³ About the necessity for political reform gradually in Indonesia see, M. Simanjuntak, "Democratization in the 1990s: Coming to Term with Gradualism?" in D. Bouchier and J. Legge (eds), *Democracy in Indonesia 1950s and 1990s* (Clayton: Centre of Southeast Asian Studies, Monash University, 1994).

authoritarian government to democratic political system.²⁴

Military and Politics

The 1950s and the early 1960s witnessed massive military intervention in Latin America, the Middle East and in Southern and Southeast Asia. According to Samuel Huntington, in the two decades after World War II, 17 of the 20 countries in Latin America were under military rule.²⁵ The strong military rule on the one hand and weak civilian power on the other, along with corruptions, uncertain political and economic conditions, and the lack of institutionalized of political structures, have been regarded as the main causes for this military intervention in politics.²⁶

Obviously, the intervention of the military in the Indonesian politics has been

visible since the New Order government took over the Soekarno government in 1966. However, many observers believe that this involvement occurred in the early years of the Indonesian independence.²⁷ In this period, there were two main groups in Indonesia dealing with ways which should be taken in struggling for the Indonesian independence. On one side, were those politicians such as Soekarno and Sjahrir who preferred to use diplomatic methods; on the other side, were the *pemuda* (youth group, which was symbolised by Tanmalaka, a socialist), who demanded the use of armed force to fight the Dutch. In facing this problem, General Soedirman, as commander of the military, offered himself as a mediator between the two. However, in fact, he supported the *pemuda*. According to Salim Said, General Soedirman "favour ideas of *perjuangan* (armed force) instead of diplomacy, and *persatuan* (unity of all the parties) instead of numerous parties".²⁸ This event indicated that the military not only conceived itself to be a tool of the government, but also an actor in the political process.

Further involvement of the military in politics occurred when the Soekarno government issued martial law in 1957 in order to eliminate local rebels, such as the *DITII*, *PRRI*, and *Permesta* in the 1950s and the early of the 1960s. The event which legitimized their great involvement in politics

²⁴D. Rustow, "Transition to Democracy: Toward a Dynamic Model", *Comparative Politics*, no. 3 (1970), 352; G. O'Donnell and P. Schmitter, "Tentative Conclusions about Uncertain Democracies", in G. O'Donnell, P. Schmitter and L. Whitehead (eds), *Transitions from Authoritarian Rule: Prospects for Democracy* (Baltimore: the Johns Hopkins University Press, 1986), 16-17; L. Diamond and J. Linz, "Introduction: Politics, Society, and Democracy in Latin America", in L. Duamond, J. Linz and S. Lipset (eds), *Volume Four: Democracy in Developing Countries Latin America* (Boulder: Lynne Rienner Publishers, 1989), 16; S. Huntington, "The Third Wave", *Democracy in Indonesia*, 36.

²⁵S. Huntington, *Political Order and Changing Societies* (New Haven: Yale University Press, 1968), 3.

²⁶M. Jonowitz, *The Military in the Political Development of New Nations* (Chicago: The University of Chicago Press, 1964); S. Huntington (ed) *Changing Patterns of Military Politics* (New York: Free Press, 1962).

²⁷U. Sundhauss, *op. cit.*; H. Crouch, *The Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978); S. Said, *Genesis of Power: General Soedirman and the Indonesian Military in Politics 1945-1949* (Singapore: Institute of Southeast Asian Studies, 1991).

²⁸S. Said, *ibid.*, 56-57.

was the abortive coup d'état in 1965. Their role became obvious when the dual function of the military: security and, social and political functions, was institutionalized. These functions were developed by General Nasution in 1958 through the concept of "the middle way". According to Nasution, the military in Indonesia was neither the "civilian tool" like in the Western states, nor a "military regime", but one which functions socially and politically in the society and in security.²⁹

In short, the involvement of military in politics in Indonesia, at least, has been legitimized by two events. *First*, historically, the military had a dominant role in the revolutionary era in struggling for the independence of Indonesia. The military itself, originally, was not built by the civilian government but by ex-KNIL, ex-Peta, and the guerillas. This history had made the position of the military more independent from the control of civilian. *Second*, the military was active in handling social and political crisis such as local rebellions and the political turmoil in 1965. By this, the military comes to consider itself as "stabilisator" and "dinamisator"³⁰ of the society and the state.

All of the young elite recognize the importance of military role in the political history of Indonesia. However, this does not mean that the military should be given special privileges in the political life of Indonesia. A *Kiai* who is currently taking

a post-graduate program in religious study argues:

"Initially the appearance of "green shirts" (the military) in Indonesian politics indeed was needed. They succeeded in solving political problems such as the G30S/PKI (the premature coup d'état in 1965) and kept the unity of Indonesia. Today, however, their appearance in politics is not necessary. I think, they should return to the barracks".

Not all young elite demand that the military must return to the barracks, however, because to some extent the involvement of military in politics is needed. In those particular regions which need security, for example, it is possible to put the military in political positions because, by this, the governor or the *bupati* (head of district) from the military background can handle security problems. Another consideration is that they regard the military as another social force in the society which has its own right to be involved in politics. Nevertheless, this notion should consider aspects of proportion. It is clearly mentioned by a young elite who graduated in educational studies that "no matter what, the number of civilians is greater than the military". The problem of political proportion is questioned because in fact many members of ABRI have important positions in the state, for example, of 500 seats of the DPR in 1992-1997 period, 100 of them are possessed by members of the ABRI.

The notion that the role of military in politics must be reduced does not only come from those young elite who try to keep a distance with the government, and those who affiliate with the PPP, but also from those who were close to the government and were affiliated with the ruling party of *Gol-*

²⁹ A. Nasution, *Tonggak-tonggak Dwi Fungsi* (Jakarta: Memeo, 1981), 17.

³⁰ These Indonesian labels mean to make stable and dynamic the society.

kar. A young elite whose father is a parliament member from the *Golkar* says:

"Nowadays there is an issue from a number of retired military officials to reduce the huge military role in politics. This role is regarded to have minimised the role of civilians. Such opinion indicates that there must be something wrong with the involvement of military in politics".

"*Kiai Dul*" who withdrew his local parliament from the PPP and has now joined with the *Golkar* believes that the role of military in politics can be reduced in the future as society develops. Further he argues:

"As a stabilisator, the military is needed when Indonesia is still not ready to be governed by civilians. This is because the military functions to defend stability. However, gradually that role must be reduced, so that, the function of military is to keep the security of the state. This means, its political role must be reduced".

The discourse that the military should reduce its political role is not only coming from the young elite of NU. The Indonesian Institute of Science (LIPI: *Lembaga Ilmu Pengetahuan Indonesia*), which was instructed by President Soeharto to conduct a research on the role of military in Indonesian politics in 1995, finds that many prominent figures demand the reduction of military role in politics.³¹ Interestingly, this demand also comes from a number of army officers, including General Prabowo, son in law of President Soeharto, and retired high ranking military officers, who have become informants of that research. Among the reasons for reducing the military role in politics is that under such a

role, the participation of people in politics is limited. Also, the current political chaos such as the "27 July event", is supposed to have been caused of military intervention.³² Another reason is that the departments, local governments and other civilian institutions which were led by the military officers were less successful compared to those led by civilians.

In addition, in the 1980s, some outspoken retired military, including A.H. Nasution, conceptualizer of the dual function of ABRI, criticized the government regarding the deep involvement of military in politics. According to Nasution, it is right that the military has to implement its social and political functions. However, these functions should be conducted proportionally.³³ The support of the military to the ruling party of *Golkar*, for example, indicated that the military was on the side of a certain group. Meanwhile, the doctrine of dual function suggests that the military should posit itself among the interests of all groups.

³²On 27 July 1996, there was a political turmoil in Jakarta. This was initiated by the internal conflicts within the Indonesian Democratic Party (PDI). The supporters of Soerjadi invaded the PDI office which was under control of the supporter of Megawati Soekarnoputri. As a result, they were fighting each other which eventually led to the deaths of five people, hundreds injured, and some government offices and business, and vehicles burned. Many activists of democracy blamed the military intervention for the chaos because the government, including the military officers, openly supported Soerjadi. For detail, see Santoso (ed), *Peristiwa 27 Juli* (Jakarta: Aliansi Jurnalis Independen, 1997).

³³S. Said, "The Political Role of the Indonesian Military: Past, Present and Future", *Southeast Asian Journal of Social Science* 15, no. 1 (1987): 29.

³¹*Gatra*, 8 March 1997.

Conclusions

In response to the question about the political performance of the New Order government, most of the young elite argue that the condition of the political system in Indonesia is still authoritarian in nature. Thus they suggest that democratization, in terms of giving more opportunity for the people to establish their own parties, deciding fairer political economic policies, and reducing the political role of the military, needs to be implemented in Indonesia. In applying this suggestion, it seems that the young elite use a combination of the values of Islam and the West. This situation probably happened because they still strongly prefer the Islamic values for their attitudes and behaviours, whilst they have also openly absorbed Western democratic values. In addition, seeing the fact that the young elite are conceptually active in improving the political condition of Indonesia, to some extent they can be categorized as

"innovators",³⁴ or in the term of Almond and Verba they, have "civic culture".³⁵ This can be seen by the fact that instead of referring to Islamic values in proposing a revision of the political economic condition of the New Order state, they openly adopt Western political values such as democracy. They also cannot be categorized as having rigid or conservative attitudes which might lead to oppositional attitudes to the government. They are relatively tolerant of other groups, including other religions. They also consider that a set of values which would tie the components of the state of Indonesia together, such as the ideology of *Pancasila*, needs to be implemented. However, they do not agree with the current reality, of the state ideology being only interpreted by components of the state, without the broader involvement of the people in its interpretation.

democratic political system. It is opposed to "defenders", a group of people who maintain the political status quo. See, Liddle, *Leadership and Culture*, 143 & 159.

³⁴The term of "innovators" was introduced by Liddle which means that those who try to improve political culture in order to obtain a more

³⁵G. Almond and S. Verba, *The Civic Culture: Political Attitudes and Democracy in Five Nations*, (London: Sage Publication, 1989).

The International Monetary Fund and Implications of the 1997-1998 Negotiations with Indonesia

Stacey Sowards

THE economic problems Indonesia faced starting in the middle of 1997 forced the Indonesian government to request aid from the International Monetary Fund in October 1997. In January 1998, the IMF delayed aid to Indonesia because the aid had been conditioned on reforms that the Indonesian government failed to meet. Among these reforms, the IMF required major institutional and economic reform, such as eliminating corruption, addressing the issue of centralized banking, controlling for inflation, and correcting for the currency crisis. The IMF viewed President Soeharto's and the Indonesian government's inaction as procrastination or lack of desire to meet the reforms for the much needed \$43 billion bailout package that was suspended in January 1998. However, the Indonesian economy was nearing collapse, and thus, the Indonesian government caved in to the IMF's reform demands in the April 1998 negotiation meetings, according to the Indonesian Foreign Minister Ali Alatas ("Indonesia's Alatas," 1998). Since the

United States holds a de facto vote in with the IMF, the negotiations have largely revolved around the demands of the United States and other Western countries that contribute to the IMF. Thus, the United States has a lot of bargaining power and leverage with recipient nations (Sanger, 1998, March 25).

While the IMF's reform and aid package and the interactions with Ali Alatas and other Indonesian officials have called for negotiation, the nature of conditioned aid and use of force by the IMF to coerce Indonesia into complying with these demands imply otherwise. Moran and Stripp (1991) define negotiation as "a process in which two or more entities come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit" (p. 72). However, the IMF's negotiation with Indonesia does not seem to be much of a discussion of interests to reach mutual benefit. Rather, the IMF has imposed ludicrous and impossible requirements for structural reform in such a

short period of time, which, when Indonesia has been unable to comply, has caused further economic crisis. Since most literature concerning the IMF pertains to substantive issues rather than the process and importance of negotiation, the content and style of negotiations have been frequently ignored. The process of negotiation is as important as the substantive issues, since, especially in the international arena, cultural conflicts can end negotiations before they even get started. Thus, this paper will examine the negotiation process between the IMF (and the United States, since it plays such a large role in the IMF) and Indonesia. This paper will begin with a literature review to examine the IMF's negotiation history, how the United States influences those policies, the overuse of conditioned aid as a tool of negotiation in the IMF's aid policies, and finally, the IMF's and United States' negotiation styles with recipient nations. Additionally, the paper will also discuss Indonesian negotiation styles and variables, specifically, in international politics. The second part of the paper examines the IMF's 1997-1998 negotiations with Indonesia for economic bailout packages, focusing on the demands of the IMF, the United States, and Indonesia. The analysis presented in the second part will also explore reasons for failure in the first stage of negotiating a bailout package and also the agreement that was reached in April and May 1998. The paper will also look at some of the implications of suspended aid for the Indonesian economy and international relations, as well as how President Habibie's role may change future IMF and Indonesian negotiations. Finally, the paper presents some conclusions and

recommendations for future effective negotiations conducted by the IMF with Indonesia as well as other nations.

International Monetary Fund and the Role of the United States

History of the IMF

The International Monetary Fund, along with the World Bank and the United Nations, was founded in 1944 as part of the Bretton Wood institutions for international development. At its inception, the IMF had six main objectives as stated in its Article 1 of its Articles of Agreement: (1) to develop international monetary co-operation for discussion of monetary issues; (2) to balance and facilitate international trade; (3) to ensure economic stability among member nations; (4) to establish a multilateral system for payment of debts and international trade; (5) to provide temporary, monetary safeguards for member nations; and (6) to facilitate payment of loans (Bird, 1995). The main priority of these goals was to fix currency exchange rates to the U.S. dollar in order to develop and stabilize international trade (Feldstein, 1998). However, in 1971, this system collapsed, and the IMF struggled to find a new niche in international monetary trade. Currency exchange rates became flexible and unmanageable by the IMF; thus, in its search for focus, the IMF turned to developing countries, especially in Africa and Asia, to carry out its objectives in the late 1970s. This new focus expanded the role of the IMF to all parts of the globe, and it now assists approximately 300 programs in various countries (Killick, 1995).

The goals of the IMF have changed since the 1970s, but there is substantial debate as to whether those have been for the better. In 1987, Michel Camdessus became the managing director of the IMF. In a speech to the American National Press Club, Camdessus defines the current focus of the IMF as "sound money, prudent fiscal policies, open markets" ("National Press Club," 1998). Specifically, he identifies four main goals. *First*, he maintains that the international playing field needs to be leveled by deconstructing monopolies, developing strong banking systems, increasing transparency among regulatory systems, and eliminating crony capitalism. *Second*, he argues that domestic financial systems need to be improved; the IMF serves as a monitoring system for improving transparency. *Third*, Camdessus contends that market systems should be liberalized for foreign capital. *Finally*, he states that corruption and special favors must be eliminated to enhance good government among recipient nations. The goals of the IMF have become much more than the original goals of fixed currency exchange; these goals influence and change the financial and economic structures of recipient nations. Camdessus' main approach to fulfilling these objectives has been largely through appeals for funding. According to Bandow (1994), Camdessus has focused on doubling the IMF budget in the past to increase the availability of funds for developing nations. However, several scholars question such an approach, advocating a variety of reforms for the IMF (Bandow, 1994; Bird, 1995; Bradlow & Grossman, 1996; Feldstein, 1998; Killick, 1995). Killick (1995), in an analysis of his studies conducted in the 1980s, concludes

that regardless of the IMF's effectiveness in implementing specific economic policies within recipient countries, the IMF has only secondary effects on these countries' economies, and that the government in question must desire and/or initiate economic reform for IMF funds to be truly useful.

Historical IMF Negotiation Failures

Negotiation plays a crucial role in the IMF's policies because the IMF generally must negotiate conditions and implementation of the policies with the recipient nation. Furthermore, if a recipient fails to meet the conditions of the economic policy set by the IMF, participant parties often renegotiate the conditions and needed economic reforms to avoid rescinded or delayed aid. However, the literature that discusses IMF policies and negotiations tends to focus more on economic policies rather than negotiations of aid, even though both are of significance. Based on existing literature, four main failures of the IMF emerge from a negotiating perspective: inappropriate and ineffective conditioning, favoritism, lack of enforcement, and insensitivity to local conditions. The IMF has also been criticized for specific monetary policies, but since this paper focuses on the negotiation process between the IMF and recipient nations, these four main failures will be examined in further detail. Killick (1995), Bird (1995) and others mentioned in this discussion adequately address the IMF's monetary policy shortcomings.

Ineffective conditioning has received the most attention out of these four fail-

ures in reviewed literature regarding the IMF; the other failures are all related to ineffective conditioning in some way. Killick (1995) describes three main objectives for structural conditioned aid: "(a) to increase the role of markets and private enterprises relative to the public sector, and to improve incentive structures; (b) to improve the efficiency of the public sector; and (c) to mobilize additional domestic resources" (p. 25). Bradlow and Grossman (1996) also contend that human rights abuses may be factored into the aid equation for individual contributors like the United States. Elimination of corruption may also be a target for structural adjustments. Killick notes that reforms to the conditioning process have caused a proliferation of conditions attached to aid packages; the sheer number of conditions that a recipient country must meet increases the likelihood of slippage in meeting those conditions. The IMF's conditions are often inappropriate, based on narrow sets of data, which often cause adverse effects, compounded by the IMF's international "leader" role which influences the policies of other lending institutions (Bandow, 1994). Vaubel (1994) also notes the IMF's tendency for *ex post* conditionality, or attempts to make structural adjustments after an economic crisis has occurred. In his analysis, he also describes Niehans' (1985) argument in which he contends that countries may slip into a crisis because of the conditions that are placed on IMF aid, although this is probably a worst case scenario (p. 37). According to Bird (1995), members of the IMF are disinclined to borrow if they can possibly avoid it; they may turn to commercial institutions.

According to Killick and Bird, the conditioning process is a "toothless tiger" and has little effect unless the recipient government actually desires economic reform and can meet the IMF's objectives. Furthermore, if the recipient will not or cannot meet conditions, tensions in relationships between the IMF (and Western nations) are likely to result in the structural adjustment process. Bird maintains that there are three main costs to heavy conditioned aid: *first*, these conditions may not be accepted except as a desperation measure by the recipient nation; *second*, it affects the flexibility of the IMF; and *third*, the IMF incurs substantial financial burden because of backsliding. Later, it will be argued that these costs are exemplified by the Indonesian case. Indonesia was unable to meet the IMF's conditions, which caused slippage and subsequent renegotiations of aid, affecting the Indonesian and other Southeast Asian economies in the interim (Sanger, 1998, January 12). Killick concludes his analysis of the IMF's conditionality by noting that key criteria for conditioned aid are not backed by academic research, the conditions largely exist only on paper, over-stretch occurs because of the large number of programs and conditions attached to each, and favoritism for recipient nations allows some nations to have only a few conditions placed on their aid packages.

Favoritism, as just mentioned, affects recipient nations, both that are favored and those that are not favored. Killick, in a review of a 17-country study, notes that at least a third of the recipients are favored by Western nations, which influence

aid policies. Killick specifically targets the United States' role in Mexico, Sudan, and the Philippines. In each of these cases, the U.S. government advocated aid packages, even though, in the case of Sudan, the economy was largely unstable, and the Sudanese government had no interest in reform. Additionally, Bird (1995) observes that the U.S. encourages the IMF to provide aid even to those nations that are highly in debt so that these recipients will not default on their loans from U.S. lending institutions. France similarly supported aid for Côte d'Ivoire despite previous slippages. Unfortunately, Indonesia does not enjoy the same protectionist favoritism. The U.S. in conjunction with the IMF has advocated a hard line approach concerning aid packages to Indonesia (Sanger, 1998, January 12, March 25). Such policies seem hypocritical after the flexible treatment Mexico received during its 1994 economic crisis.

Lack of enforcement of conditioned aid policies also implicates the effectiveness of the IMF's negotiations. Bandow (1994) contends that the IMF often grants waivers or suspends loans, either modifying the agreements or negotiating new agreements at a later date, as has happened in the Indonesian case. According to Bandow, the largest developing country recipients, India, Brazil, Argentina, Mexico, and Yugoslavia maintained state-managed economies for 40 years or more, despite conditions placed on IMF loans and aid. Furthermore, Peru had 17 different IMF programs from 1971 to 1977. Bandow contends that the IMF determines its success by the sheer number of loans, which has prob-

ably been compounded by Camdessus' approach to aid. Not only does the IMF not enforce its existing conditions, but Bird (1995) and Killick (1995) observe that the number of conditions and number of countries continue to proliferate, exacerbating the enforcement problems the IMF faces. In the Indonesian case, the IMF has received criticism for not being tough enough, in part because of lack of enforcement, despite the large number of conditions.

Finally, the IMF has been criticized for its insensitivity of local conditions. Helleiner (1986) reports that "the Fund staff is inadequately informed or insensitive with respect to local conditions and objectives, patronising in their relationships with local professionals, and rigid or powerless or both in their negotiations" (as cited in Killick, 1995, p. 13). In Bird's analysis of the costs of conditioned aid, he notes that often the IMF employs structural reform that is not in the recipient nation's best interest or desires. Feldstein (1998) maintains that in the Indonesian, Thai, and South Korean cases, conditions and reforms were modeled on Eastern European, Russian, and Mexican reforms, which do not apply because of economic structural differences. In fact, such negotiation approaches are largely an exertion of force and power over recipient nations who have little input in economic reforms to be implemented. The feasibility of such required reforms may also be in question, especially in the Indonesian case, as will be discussed later.

The United States' Role in the IMF

As one of the founding members of the IMF and largest contributors, the United States in general holds a lot of power within the IMF's policies and decisions. Additionally, the U.S. has de facto veto power. As noted above, the U.S. is able to influence decisions that cause favoritism for recipients, like Mexico, the Philippines, and Sudan. The U.S. also uses its power to protect its lending institutions by encouraging loans to nations that may default on loans. In the case of Indonesia, there are several factors that are affected by U.S. involvement. *The New York Times* observes that because the U.S. holds a de facto veto over decisions as to when the Indonesian government has reformed enough to receive aid packages, "the talks with Indonesia have been a delicate, three-way dance between Mr. Soeharto, economists and top officials from the IMF, and American officials in Jakarta and Washington" (Sanger, 1998, March 25, p. 6). Furthermore, Indonesia does not receive the same favoritism as does Mexico; U.S. Treasury Secretary Robert Rubin has proposed a hard line approach to Indonesian reforms and conditions in IMF aid. The U.S. Congress also wants a hard line approach, as many Congress people feel that the IMF is not adequately addressing corruption and crony capitalism. Since the United States is a large contributor, these are criticisms that the IMF does not take lightly.

However, U.S. policy toward the IMF is largely a U.S. agenda, representing Western values, attitudes, and beliefs. In an analysis of President Clinton's foreign

policy approach to Asia, Sheridan (1997) maintains that while Clinton may be one of the most important leaders in Asia, his policies are full of contradictory and empty rhetoric. In a review of Clinton's effectiveness in Asia, Chanda (1998) rated Clinton as a three out of 10 on matching rhetoric with reality. Chanda also notes that in Indonesia, Clinton has let relations deteriorate even though before the November 1996 American elections, Indonesia was a loyal ally. Specifically, failure to contribute to the IMF bailout package to Thailand was seen as a snub to the entire Southeast Asian region. Additionally, the Clinton administration seems more interested in advancing their own agenda rather than the best interests of the countries involved. Brinkley (1997) reports that Clinton has sought to improve global leverage through free trade policies, enlargement democratic practices, and promotion of human rights policies, especially in Indonesia, as Sheridan (1997) and Solarz (1994) observe. One of Clinton's methods for advancing free markets and access to those markets is to promote middle class consumerism. Brinkley satirizes this approach by quoting *The New York Times* in 1996, in which Clinton's policy is described as Big Mac I; countries that have Big Macs and McDonald's do not fight each other (pp. 125-126). The promotion of free market systems, democracy, and human rights inevitably influence the IMF's policies toward Asian nations, and specifically Indonesia. However, Solarz (1994), speaking to members of the Institute of Southeast Asian Studies, noted that there are significant and fundamental differences in definitions of human rights and democracy between the

United States and Asian nations. Thus, considering the United States' powerful role within the IMF, and specifically in the case of Indonesia, it seems that the Clinton agenda does not coincide or even overlap with Indonesian interests.

Negotiation Styles of the IMF and the United States

There are two main issues of concern that affect negotiations with Indonesia regarding IMF funds: *first*, non-negotiable variables, or factors that the IMF and the United States believe that countries must adopt; and *second*, differences in styles of negotiations. Cohen (1991) and Fisher (1980) describe some issues that are non-negotiable between the United States and other nations. They state that while Americans value pride and sovereignty, they also believe that any issue is negotiable; unfortunately for Americans this is not the case everywhere in the world, particularly in Indonesia. After reviewing literature pertaining to the IMF, it becomes apparent that there are certain values or beliefs that Western countries continue to advocate, which dictates the IMF's aid policies. These include: elimination of corruption, promotion of Western style democracy and capitalism, and free market economies. There are also several references as to how Western nations regard "problems" associated with crony capitalism, corruption, and human rights abuses (Bradlow & Grossman, 1996; Feldstein, 1998; "National Press Club," 1998). Additionally, as noted above, the Clinton Administration has focused on Western style democracy promotion and human rights (Brinkley, 1998). Camdessus'

speech to the National Press Club verifies that the IMF's main contemporary objectives are to liberalize markets and eliminate crony capitalism and corruption. The IMF operates under Western values of free market economies, and consequently, negotiations for aid packages with the IMF reflect these values and beliefs. These non-negotiable variables are the issues that the IMF tends to condition IMF aid and revoke aid packages when violated.

The IMF's style of negotiation also affects the outcome of the negotiation process. The two factors that influence its style most significantly are its exertion of power, and the carrot and stick approach. The fact that almost all aid is contingent on economic or political reforms, indicates that the IMF has a certain power over recipient nations. Montes (1987) describes the IMF and its role in the Philippines as "that of a doting parent to that of a vengeful god" (as cited in Killick, 1995, p. 104), indicating that the IMF's role is paternalistic at best. Others describe the IMF as colonialistic, a tool to force Asia into submission, and a roughshod approach to negotiations (Porter, 1998; Sanger, 1998, January 12; Wyszomierski, 1998). Many of the problems associated with conditionality of aid mentioned above also indicate that the IMF attempts to force reform. However, Killick (1995) and Bird (1995) both argue that the reforms do not work unless the recipient nation wants to reform; force and power are ineffective styles for negotiating aid packages. The carrot and stick approach may also be equally ineffective. Using this approach, the IMF provides bail-out money, and then rescinds the money if structural adjustments and reforms are

not made. However, this approach is simply an attempt to exert power over recipient nations. Consequently, the negotiation styles that the IMF's key negotiators use may work in Western countries, but they are more difficult to accept, especially in Indonesia, as will now become obvious in examining Indonesian negotiation styles and values concerning IMF aid.

Indonesian Negotiation Styles

Cohen (1991) identifies four variables that are generally non-negotiable factors for nation states: pride, status, sovereignty, and human rights. All four of these apply to the Indonesia; *Pancasila* served as an overarching principle of such non-negotiable variables. Indonesian nationalism, sovereignty, and concepts of democracy and human rights comprise Cohen's variables in this case study. These variables are important in developing trade policies, aid packages, especially those that require structural reform, and general negotiations with the Indonesian government. In order to determine the role they play in international negotiations, the following part will examine the role of *Pancasila* as a construction of the national doctrine, and each of the four variables mentioned above.

Pancasila

The *Pancasila* philosophy of government has far reaching implications in Indonesia, as it acts as not just a governmental policy, but a societal policy as well. A related concept, *kepribadian bangsa*, or national personality, is also influential. Both *Pancasila* and *kepribadian*

bangsa create national identity, and the Indonesian government uses these notions to seek support for unity. Related to these concepts are: *gotong royong*, or mutual assistance, *musyawarah*, or deliberation, *mufakat*, or consensus, and *adat*, or customary law. According to Bourchier (1997), the collection of these concepts comprises the ideology of Indonesian government. He also maintains that *negara integralistik* (the integralist state) influences the Indonesian political system, even though he argues that the term was reinvented by the state to preserve the status quo in the 1980s. This concept represents a commitment to society as a whole rather than individual rights or egoism. These terms have a role in official discourse and Indonesian thinking, at least in governmental practices, which delineates the collectivistic nature of negotiation as opposed to individualism. The terms *musyawarah*, *mufakat*, *gotong royong*, and *negara integralistik* all imply consensus style decision-making, a need to avoid conflict, and action for the good of society rather than the individual. This national policy in Indonesia is in sharp contrast to Western nations' conceptions of such issues.

Nationalism

Nationalism as one of the five pillars of *Pancasila*, plays an important role in national pride of both the general public and the Indonesian government. Suryadinata (1996) observes that nationalism seems natural in Indonesia because of its nationalistic history. This nationalism influences Indonesia's foreign policy and international relations in two ways: without na-

tional unity preservation, domestic issues could become the primary focus if the country were to disintegrate (Djalal, 1996); and the Indonesian government, if possible, takes protectionist measures or ignores the international arena altogether (Vatikiotis, 1995). This is well demonstrated in Soeharto's tariff protection on automobiles, the strategic industries, and forest products, although this policy has come under fire from multiple nations, namely the U.S., Japan, and the World Trade Organization (Darwanto, 1997). Soeharto also took nationalistic pride in his role as the head of the Non-Aligned Movement from 1991 to 1996 (Vatikiotis, 1995), and Indonesia's role in ASEAN, not as a leader, but rather a low profile nation intent on preserving relations among ASEAN nations (Anwar, 1997). The Indonesian government has tended to protect Indonesian national interests rather than appease Western super powers. Djalal summarizes the focus of Indonesia's foreign policy by contending that "strengthening National and Regional Resilience will also continue to be the basic motivation for foreign policy" (p. 233).

Sovereignty and Status

Soeharto and Indonesians in general also highly value international sovereignty. This is characterized by three main groups of leadership: Indonesia's economic development up until July of 1997, Indonesian international leadership, and rejection of foreign aid. For approximately 30 years, Indonesia enjoyed economic growth rates around 6 per cent per annum (Church, 1995), and Vatikiotis (1995) contends that

the economic success of the Indonesian Asian Tiger contributed to its confidence and capability to maintain its sovereignty in the international arena. Indonesia has also liberalized some of its markets, although not caving into international demands of quick trade liberalization, rather taking a much slower approach, asserting independence in trade policies (Djalal, 1997; Wardhana, 1995). In other arenas, President Soeharto also maintained Indonesian sovereignty. After the 1991 Dili incident, the Dutch were unsatisfied with the Indonesian government's explanation of events. Since the United States and others seemed satisfied, Soeharto flatly rejected Dutch aid rather than conceding to their demands. In 1997, the United States Congress criticized Indonesia's policy in East Timor, and Soeharto canceled the purchase of F-16s and rejected U.S. International Military Education and Training (IMET). Finally, Indonesia's leadership role in Southeast Asia and in the Non-Aligned movement as mentioned above also indicates a level of sovereignty that Indonesia has enjoyed. It is likely that President Habibie, a good friend and protégé of Soeharto, will continue similar policies. Although Indonesia has been a recipient nation of IMF aid since 1956 (Bandow, 1994), the severity of the economic crisis and forced compliance with IMF conditions have affected relations between Indonesia and Western nations, because both threaten Indonesian sovereignty.

Human Rights and Democracy

The two events mentioned above concerning the rejection of aid and IMET

based on human rights criticism demonstrate the non-negotiable nature of human rights in Indonesian foreign policy. However, this problem is compounded by different definitions of what constitutes a human rights abuse and what democracy really means. *Negara integralistik* has been used as a national policy to indicate that national unity is a priority over individual human rights (Bourchier, 1997). Eldridge (1996) observes that the Indonesian government has asserted that the concept of human rights is an invention of Western ideology that is in direct conflict with *Pancasila* and *negara integralistik*. The debate over the universality or relativism of human rights, while important, is irrelevant in this discussion. The point is that the Indonesian government is sensitive to claims of human rights abuses, as the above cases illustrate. Thus, while human rights should be discussed in the international arena, it may not be appropriate to condition aid on human rights, especially in the midst of an economic crisis.

Democracy takes on yet another meaning because of difference in definitions and ideological opposition between those definitions. Western nations tend to define democracy as representative or constitutional, whereas Indonesia defines *demokrasi* as deliberative and consensus based (Eldridge, 1996, 1997). *Kedaulatan rakyat*, or people's sovereignty, implies a democratic form of government, which is mandated in the 1945 Indonesian Constitution. Thus, from an Indonesian perspective, democracy and human rights, according to Eldridge (1996), is based more on national unity, consensus, and economic development, while Western nations focus more

on individualism and rights, creating a fundamental difference concerning human rights and democracy policies.

Negotiation Styles

In international negotiations, former President Soeharto, President Habibie and/or their advisors are likely to seek a deliberative and consensus reaching approach to decision making and negotiation (Eldridge, 1996). Soeharto has advocated open discussion of issues in such a way that harmony and unity can be maintained. However, the adversarial nature of American policy decision making might be inappropriate for Indonesians, even in international negotiations, in order to avoid conflict and save face. Indonesians also have a strong desire for relationship building if possible. Chanda (1998) observes that Clinton let relations with Indonesia fester because of White House scandals. Even though Stanley Roth, the assistant Secretary of State, tried to repair the damaged relations, it may have been too little too late, in part because Indonesians place high value on relationship building. Thus, consensus and relationship building are crucial in effective negotiations with Indonesia, which creates the groundwork for establishing the IMF's failure to effectively negotiate a bailout package with Indonesia.

The IMF, Indonesia, and 1997-1998 Negotiation Process

The economic crisis in Indonesia began with the currency collapse of the Thai baht in foreign exchange markets in the summer

of 1997. This in turn caused currency crises in Indonesia, Malaysia, and the Philippines. The Indonesian rupiah fell 35 per cent, and Indonesian stocks fell 20 per cent from September to October of 1997. Although the United States was not involved in the initial bailout package process in Thailand, once the Indonesian currency fell, the United States offered a \$3 billion line of credit, as part of a \$22 billion bailout package. The Clinton administration viewed Indonesia as a threat to economic crisis contagion throughout the Asian region (Feldstein, 1998; Pine, 1997). This package was negotiated with Indonesian officials in the latter part of October and accepted by all parties in November of 1998. The package included funds from the IMF (\$10 billion), the World Bank, and the Asian Development Bank (\$6 to \$8 billion). The IMF required the following conditions, among others, to be met: closing insolvent banks, lowering price controls on food and fuel, reducing projects that benefit President Soeharto's allies, specifically Hutomo Mandala's (Soeharto's son) clove monopoly, improving the regulatory management system for the Indonesian economy, and decreasing real estate speculation (Pine, 1997). Failure to meet these stringent conditions meant a revocation of aid money.

Unfortunately, in January 1998, the IMF concluded that the above conditions were not being enacted to their satisfaction, forcing a new wave of negotiations. According to Brandon (1998), the Indonesian budget released 6 January, failed to meet any of the IMF conditions that had been negotiated in November. Thus, on 15 January, Soeharto signed a new letter

of intent with the IMF to commit to 50 items of "reforms that will eliminate subsidies, break up monopolies, and delay or cancel major infrastructure projects -- many owned and operated by Soeharto's family and friends" (Brandon, 1998, p. 6). However, these stringent and numerous conditions, among several others in the letter of intent, risked bankrupting Indonesia and causing investors to lose confidence in Indonesian markets if unable to enact or meet these conditions, impacting not only the Indonesian economy, but other Asian economies as well. For example, after the January 6 budget was released, Indonesia experienced economic market difficulties, which affected stocks in Hong Kong (14 per cent decline), Singapore (23 per cent decline), and Manila (19 per cent decline) (Sanger, 1998, January 12).

Nevertheless, in March 1998, negotiations were begun anew, leading to the third letter of intent since October, signed on 8 April, after three weeks of negotiation. The bailout package was put on hold in February after the Indonesian government failed to meet conditions placed on the aid package in January and October. Soeharto maintained that the conditions and reforms to be enacted in a short period of time were disruptive to the domestic economy, causing a high rise in subsidized food prices after exposed to a free market economic structure ("IMF's \$40 billion," 1998). The new negotiations led to the creation of a five-point plan:

a tough monetary policy to stem the rapid growth of the money supply in recent months, an orderly restructuring of the banking sector, the restructuring of corporate debt, a transitional fiscal policy that

would enable certain subsidies, notably in food and energy, to continue, (and finally), structural measures including resolution of some of the questions of the ownership of businesses by Indonesian President Sochar-to's family ("IMF Links Indonesia Loan," 1998).

These reforms are similar to previous conditions required by the IMF. In a review of conditions contingent on Indonesia's reform, Feldstein (1998), Gopalakrishnan (1998), Porter (1998), and Shiner (1998) report the following in addition to above mentioned conditions/restrictions: whole sale privatizations, cancellation of monopolies, cancellation of Mandala Putra's national car program, cancellation of currency boards, acceleration of bank restructuring, increased strength of the IBRA (Indonesian bank reform agency), elimination of restrictions on foreign investments, reduction in corruption, especially amongst the First Family, increased budgetary controls, regulation of the price of gasoline and manner of selling plywood, eased restriction on palm oil exports, and improved bankruptcy laws. While this laundry list of conditions seem specific, the IMF held another round of negotiations in Tokyo on 8-10 May to determine more specific economic guidelines and to measure compliance. In addition to these conditions, the United States Congress, in the last week of April 1988, began debating human rights abuses as a possible condition on U.S. economic aid and IMF funds to Indonesia. An \$18 billion package to the IMF came under heavy scrutiny because of Indonesia's human rights record, holding up at least \$14.5 billion until the issue was resolved (Sanger, 1998, April 23; Ward, 1998).

Thus, Indonesia has faced stringent conditions on aid, whether from the IMF or the United States; negotiations, conditions, and heavy monitoring are likely to continue through the end of 1998 or longer.

IMF negotiations may become increasingly difficult with the present political situations. President Habibie may continue Sochar-to's legacy, or a new president may be elected. Habibie's intentions are unclear at this point, even though his advisors have stated that elections may occur as early as in the next 6 months. Richburg and Diehl (1998) report that Habibie faces tough challenges on both political and economic fronts in the coming months. Additionally, he faces international pressure from economic groups like the World Bank and the IMF, and human rights and democracy advocates like the United States. Shiner (1998, May 26) reports that the release of political prisoners, Muchtar Pakpahan and Sri Bintang Pamungkas, may be token releases; she quotes Gustaf Dupe, a leader of a prisoner's aid group, as saying: "It's just a trick, just to release those who are not considered dangerous" (p. A11). Thus, the success President Habibie will have in the international area, especially with the IMF and other creditors, remains to be seen.

Economic and Political Implications of Negotiations

There are multiple economic and political ramifications of this failed negotiation process. Probably the most obvious, according to Brandon (1998) a specialist

in Southeast Asian studies for The Asia Foundation, are the economic implications, not only for Indonesia, but for other Southeast Asian nations. The IMF's reform policies in Indonesia are potentially more damaging than beneficial for the Indonesian economy. Brandon maintains that failure to relax IMF conditions may increase chances of bankruptcy and undermining the rupiah. Bello (1998), a professor of economics at the University of the Philippines, observes that the stringent conditions and subsequent revocation of aid will likely increase the number in poverty from 11.2 per cent to 60.6 per cent because of the rupiah devaluation. Additionally, Wyszomierski (1998) notes that unemployment has increased to 9 per cent or 8.2 million people, creating social and political unrest. Furthermore, IMF conditions and recommendations are not always beneficial. In November 1997, the IMF recommended closing 16 insolvent banks, which in turn led to a run on the other banks, leaving the banking industry in financial crisis, a recommendation the IMF later conceded should not have been enacted (Bello, 1998). Sanger (1998, March 25) also observes that the IMF's call for breaking up food and fuel monopolies was too hasty, contributing to domestic social unrest. Not only has the IMF's recommended reforms affected the domestic economy, but several authors are concerned about potential spillover effects to the rest of Asia (Brandon, 1998; Sanger, 1998, January 12). Furthermore, Wanardi (1998) argues that Southeast Asian economic crises have security implications as well. He argues that quick solution is needed to maintain stability in the region.

The IMF conditions on aid packages also have adverse effects on domestic politics as well as Indonesian international relations with the IMF and Western nations. President Soeharto's credibility has been undermined both domestically and internationally, largely because of his inability for input on reforms. This in part may have contributed to his resignation. Wyszomierski (1998), a specialist in foreign investment argues that the IMF's policies have damaged inter-Asian relationships as well as Western-Asian relationships; the IMF's policies are viewed by some in Asia as blatant exploitation of weak economies to work to the advantage of Western nations. This in turn has sparked a "Buy Asia" movement, illustrating anti-Western sentiment. Bello (1998) also contends that the IMF's and United States' role in bailout packages and reforms has caused anti-Americanism because Asian nations view the IMF as a tool of the Clinton administration to push U.S. initiatives, demonstrated by comments such as U.S. trade representative Charlene Barshefsky's, who said that the United States expects its contributions to open new business opportunities for American companies. Indonesia views the U.S. role as an attempt to Americanize the Indonesian economy through radical structural reform, using a hard line, carrot and stick approach (Sanger, 1998, March 25). Wanardi (1998) argues that United States involvement in Southeast Asia is "a double edged sword. On the one hand, they are expected to have a greater role in the region to overcome the crisis, but on the other hand there is concern about U.S. domination in the region. A backlash could happen against the U.S. because of her role in

the future" (p. 2). Additionally, negotiations are not transparent, as they have taken place behind closed doors.

Feldstein (1998), a professor of economics at Harvard University, contends that these problems arose because the IMF failed to account for differences in market economies, treating the Asian economies similar to Eastern Europe, Russia, and Mexico. Unfortunately these economies and market structures are different in several ways, and the cultural foundations of the Indonesian economy cannot simply be replaced or reformed in such a short period of time. Additionally, Feldstein argues that while the Latin American reforms were effective, they were not nearly as stringent as the conditions required for Indonesia, Thailand, and South Korea. Bello (1998), in a scathing review of IMF and U.S. policies, argues that there are seven major failures and problems with the IMF reforms. *First*, he argues that the IMF has actually been the cause of the crisis because the reforms are indiscriminate liberalizations of markets in too little time. Additionally, the IMF is blinded by its Western mentality economic paradigm, which means that it is unable to predict and anticipate fluctuations in the Indonesian economy. Therefore, the IMF's programs are actually worsening conditions. Another problem is that the IMF is only bailing out international creditors, which Bello calls "socialism for the global financial elite" (p. 1). Bello further maintains that the IMF is used by the U.S. for its own agenda, and allows Clinton to monopolize international foreign economic policy decisions. Finally, IMF interference prevents Asian nations from responding

to their own crisis in a culturally and economically appropriate manner.

Recommendations for Improving IMF Aid

There are three main approaches recommended in the Indonesian case: no aid, less restricted aid and less radical reforms, and a more participative, gradual time-frame. Bello (1998) contends that IMF aid is irrelevant in restructuring the Indonesian economy, and that Indonesia can correct its financial crisis if left alone. He argues that the IMF encourages dependency and allows the U.S. to dominate the world economy. Consequently, he advocates that no more aid should be given. This suggestion is consistent with Bird's (1995) and Killick's (1995) conclusions that historically, IMF aid actually has little impact on preventing economic crisis because of the ex post nature of aid conditions. Feldstein believes that aid should continue to be offered, but the focus should be on short term liquidity crises, prevention of currency crises, and provisions of technical assistance rather than an overhaul of the entire economy. While he argues for a different solution than Bello does, he concludes similarly in that he advocates resisting U.S. pressure, avoiding radical economic reforms, and remembering that recipient nations and private sectors are responsible for their economies.

Finally, Wyszomirski (1998), while not in disagreement with Feldstein, maintains that the negotiation process needs to have more gradual time lines and the IMF and recipients need to maintain a partnership

rather than a superior-subordinate relationship. She also argues that Indonesia needs to feel like it has control over the outcome of the negotiations, and that the IMF generally needs to avoid indicting Indonesian cultural values. What the IMF and the U.S. have called crony capitalism and widescale corruption may be more of a representation of the Indonesian preference for building and maintaining relationships with those that they know rather than an attempt to destroy their economy. Such blanket statements and indictments about the Indonesian economy are also criticisms of Indonesian cultural values that underlie economic structures. Thus, the IMF has not been culturally sensitive in its reform approaches in Indonesia. Regardless of what solutions are recommended to rectify the IMF's oversights in negotiating with Indonesia, all indicate that the IMF has used a paternalistic, carrot and stick approach, while attempting to radically change Indonesian economic structures in a few short months. Thus, the following part will examine how this approach has led and will continue to lead to negotiation failure.

Reasons Behind the Negotiation Failure

From a negotiation perspective, there are several reasons behind the failed negotiation attempts between the IMF and Indonesia. Both groups, and specifically the IMF, need to reconcile these differences in order to conclude the negotiations for a final bailout package. The failure of these negotiations is illustrated by multiple suspended aid packages, several letters of

intent signed by President Soeharto, and expressed dissatisfaction in Indonesia and East Asia with the IMF's conditions. These failures are largely explained by a difference in negotiating styles and in what each considers non-negotiable variables.

Negotiation Styles

As described in the literature review above, the IMF and the United States have historically used a negotiating style of force or exertion of power, which often is some deviation of paternalism. Cohen (1991) and Fisher (1980) describe multiple examples of U.S. negotiations that have been marked by inequality and paternalism in China, France, Egypt, Mexico, India, and Japan. In all of these cases they cite, the U.S. failed to effectively negotiate and include the goals and objectives of all involved parties. In some cases, negotiations failed because the United States attempted coercion; in other cases, cultural insensitivity caused failure. In the case of Indonesia, the IMF and the U.S. have also sought to coerce Indonesia into reforming its economy by placing stringent conditions on bailout packages. However, as Wyszomierski (1998) observes, these are largely secretive, controlling, exclusive, and culturally indicting negotiations in which conditions are set, and Indonesia is forced to agree, a typical style of IMF and U.S. negotiators. As noted above, Indonesians prefer deliberative, consensus, and relationship building approaches to negotiations. Concepts such as *gotong royong* (mutual assistance), *musyawarah* (deliberation), and *mufakat* (consensus) all indicate that the IMF negotiations are probably

not conducted in a preferred style for the Indonesians. In fact, as Bello, Sanger, and Wyszomierski all contend, relationships between Indonesia and the IMF have suffered because of the negotiations, sparking American resentment, a "Buy Asia" campaign, and a feeling of exploitation for the American business agenda.

Moran and Stripp (1991) have defined 12 variables that influence the success or failure of negotiations. In this study of IMF-Indonesia negotiations, four of these 12 variables are so fundamentally different, that failure is inevitable as long as negotiations continue in status quo fashion. These include: basic concepts of negotiation, significance of the type of issue, bases of trust, and form of satisfactory agreement. In comparison of the IMF-Indonesia negotiations, even the basic concept of negotiation, the cornerstone of effective negotiations, is misunderstood, as IMF officials prefer a strategic, or paternalistic, application of negotiation and the Indonesians prefer a synergistic, consensus reaching approach. Additionally, the significance of the type of issue demonstrates glaring differences; the Indonesians have been concerned with relationship development, such as Indonesian-Asian and Indonesian-Western relations, whereas the IMF officials have heavily focused on substantive issues, such as economic restructuring. Similarly, bases of trust have been misinterpreted. Bases of trust can range from legally based, similar to the IMF's demands, or to friendship based, such as relationship development as the Indonesians prefer. The form of satisfactory agreement illustrates similar

differences. The IMF desires all agreements in writing, by requesting that President Soeharto sign multiple letters of intent, whereas the Indonesians may prefer a verbal agreement, such that they agree to economic reforms implicitly. However, since relationships and bases of trust have not been fully developed in the negotiations, an implicit agreement is not acceptable to the IMF. Based on fundamental differences in these four variables defined by Moran and Stripp, negotiations have no chance of success unless some reconciliation can be accomplished, so that each side recognizes the values and needs of the other side.

If the IMF were to negotiate using a relationship building style instead of imposing strict conditions on aid, the negotiation process would be greatly facilitated. Unfortunately, the nature of IMF contributor nations may cause a backlash amongst such nations, if they feel reforms and technical assistance are not taken seriously. However, in this case, greater participation (to include consensus and deliberation) does not have to sacrifice the goals of the IMF or contributor nations. Thus, by allowing Indonesia to take a substantially greater role in the negotiation of economic reforms and conditions, consensus might be more easily achieved, and thus, reforms and conditions might be more readily enacted. The IMF's paternalistic, carrot and stick approach has failed miserably in this case. These negotiation styles also illustrate some of the non-negotiable variables between the IMF and Indonesia, which will be discussed in the following part.

Non-negotiable Factors

Pancasila, Indonesia's guiding governmental and social principles, nationalism, sovereignty, *adat* (customary law), and human rights are some of the variables that Indonesian negotiators, President Habibie, former President Soeharto, and their cabinets have all demonstrated in past negotiations as non-negotiable. These also apply in the case of the IMF bailout package. *Pancasila* has been violated by IMF negotiators in two ways, through denying social justice and nationalistic pride or sovereignty. For example, the condition that the IMF placed on breaking up subsidized food and fuel products violated Indonesia's concept of social justice, because the reforms hurt all Indonesians, and especially the poor. Additionally, because the IMF's suggested reforms are likely to cause substantial unemployment, social justice is again violated. For a country that has spent 30 years developing a tiger economy that has substantially improved the lives of many Indonesians, tough reforms have been hard to swallow, especially when forced by the IMF and the U.S. While some may argue that the Indonesian government itself has violated its own concept because of poor social conditions around the country, that point is irrelevant; such governmental actions or lack of actions is not part of a negotiating process conducted with the IMF.

Nationalism and sovereignty have also been non-negotiable factors violated by the IMF. The paternalistic negotiating style and indiscriminate, stringent conditions mandating sweeping radical economic struc-

tural reform are enough to demonstrate that Indonesia has relatively little sovereignty in determining economic policies for its own nation. The IMF's negotiations have caused severe damage to Indonesia's international relations. Furthermore, Indonesia has had to act as the subordinate to its superiors, the IMF and the U.S. Bello's (1998) arguments against the IMF illustrate the nature of this violation of non-negotiable variables. The U.S. has largely used the IMF to promote its own agenda with little consideration for Indonesian cultural values and needs. Indonesia has had little input and has suffered acute indictments of economic practices that could be considered largely cultural practices, such as the concept of *adat*, customary law. While the U.S. Congress and the IMF continue to criticize "crony" capitalistic practices and human rights abuses in Indonesia, such condemnations may be more directed more toward customary practices rather than at what can be realistically accomplished in IMF economic reforms.

Finally, human rights criticisms and democracy promotion are also present in the IMF's and U.S.'s negotiations with Indonesia. The IMF and the U.S. have both largely promoted rapid liberalization of Indonesian markets. Bello argues that the IMF is blinded by capitalistic ideology of economic reform. However, the Indonesian government would like to take the conditioned reforms more slowly, enacting less radical reforms. For example, liberalizing food and fuel subsidies would be best done more slowly to give time for replacement industries. Human rights has also become a point of contention with-

in the negotiation process, as the United States Congress has questioned giving IMF aid to Indonesia based on its human rights record. While this issue may be a non-negotiable variable for the Western world, conditioning economic aid packages only causes defensive reactions and Western belittling of Indonesia. These factors coupled together have caused substantial resentment among Indonesians towards the American government and IMF negotiators. Consequently, rapid liberalization and democratization of markets and human rights issues are best left out of the negotiation process for bailout packages given to Indonesia by the IMF.

Conclusions

After lengthy discussion of the negotiation process between the IMF, the United States, and Indonesia, Moran's and Stripp's (1991) definition of negotiation is clearly violated by all parties involved. As noted several times above, there has not been a cohesive, participative discussion of interests to reach mutual objectives in the IMF-Indonesian negotiations. In order to rectify these disparities in objectives and participation, there are several conclusions that are apparent after analyzing this negotiation process.

First, negotiators and their respective countries, from Indonesia, the United States, and the IMF, should be aware of differences in negotiation styles and how these styles implicate this process. Awareness alone does not combat cultural insensitivity nor does it necessarily speed up the process of negotiation, but it can greatly facilitate the process, especially if

awareness of these issues can be employed to benefit participant parties. Additionally, participants should recognize differences in non-negotiable variables, specifically, those that relate to Indonesia, such as the principles of *Pancasila*, nationalism and sovereignty, human rights, and democratic structures of economy. All of these represent sensitive issues to Indonesia and should be taken into serious consideration by the IMF.

Literature examining the negotiation proceedings of the IMF is relatively scarce; most literature focuses on the economic aid policy failure or success. However, the IMF also needs to account for human factors, which include cultural beliefs and attitudes, as well as how these affect a recipient nation's economic structure. Instead of focusing solely on the financial crises recipient nations often face, the IMF needs to address how their aid policies fit into the framework of that particular country. While this has been attempted in the past, more stringent conditions have been placed on Indonesia's case than many other countries that faced as serious economic plights, such as Mexico, and other countries in Latin America. Additionally, the IMF has tried to enact reforms that are not situationally appropriate, focusing on what worked in Eastern Europe and Mexico, not regarding market and cultural differences in Indonesia. Coupled with the IMF's paternalistic approach, these glaring errors have significantly slowed the negotiation process with Indonesia.

For international negotiations, whether conducted by the United States or the

IMF, or even the World Bank, non-negotiable variables and differences in negotiation styles in conjunction with special consideration for contextuality of the recipient nation need to be addressed with care. As Cohen (1991) points out, the United States often fails to address local concerns or cultural values and beliefs, often leading to failed negotiation. Finally, international negotiators must be cognizant that negotiation is not only substantively based, but includes relationship building and consideration for other participants to reach mutual conclusions and benefits based on equal participation by those with expressed interest. Until negotiators and contributor nations recognize these key points, negotiations will continue to fail.

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Regional Peacekeeping in West Africa: Lessons for Southeast Asia*

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Introduction

THE end of the Cold War has necessitated rethinking of many components of Third World security. With different aspects of security threats illustrated by the Gulf Crisis, the ability of the ASEAN nations in Southeast Asia to protect themselves after the withdrawal of the US from its bases in the Philippines, and the quest for a security structure in Central America are some indications that some measures of collaboration for security on a regional basis have become essential if the survival and well-being of the people are to be assured.

Ideally, sub-regional organizations are more competent than the regional organizations to handle field security operations because of their narrow agenda, smaller size and geographical proximity or coherence

which lend them a sharp operational focus. The successful peacekeeping attempt of the Economic Commission of West Africa Monitoring Group (hereafter referred to as ECOMOG) in Liberia could well be made because of these reasons. Mistakes learned in Liberia could serve as important lessons for Southeast Asia. The question then is what is the nature of the ECOWAS peacekeeping success? What lessons does Southeast Asia need to learn? The lessons, therefore, for the Southeast Asia are quite clear. It is, however, important to point out that although the events in West Africa are not exactly parallel with Southeast Asia, certain strands still run through. A major source of regional insecurity has been the conduct of governments within states. By far the greatest number of conflicts in Southeast Asia context arise from the non-existence of good government, democracy, and respect for human rights. Therefore, the purpose of this paper is to present some thoughts on the mission and hence illuminate another aspect of peacekeeping strategy in the new world order.

* A Revised of a paper presented at the Fourteenth Annual Conference of Third World Studies, Inc., Troy State University, Montgomery, Alabama, USA. 3-5 October 1996.

The direct application of the West African model is problematic. This does not mean, of course, that the West African experience can automatically be transplanted to Southeast Asia. It is self-evident that every region sets a regional agenda, which is a product of its time and place and cannot be emulated exactly elsewhere. The ECOMOG's mission is largely attributable to historical processes of West Africa. The key element is the capacity of the people to manage change in a dynamic world: to understand ongoing changes in the world, predict as yet unexperienced future changes and to respond flexibly, effectively and in good time to them.

The high level of variation as far as security is concerned among regions in the Third World may be explained by a number of factors. Differences among regions can be in terms of their internal structure, as between regions which are highly conflictual and ones which are fairly peaceful, and between regions which have potential regional leaders and ones which do not. The existence of effective regional systems will make the region less conflictual and reasonably secure, whereas those which are conflictual and thus insecure are likely to lack such structures. The level of superpower involvement will also affect the ability of regional actors to have a security structure in place to protect themselves. Where external powers have a major stake, the great power's involvement and intervention would naturally be deep and extensive. This is exemplified by the US presence in Central America and the Gulf, the Chinese approach towards South and Southeast Asia, and the Soviet involvement in the Horn of Africa, Middle East and Afghanistan.

In an ideal scenario, the international response to conflict-based disasters would be dictated by a deliberate division of labour. The UN would respond in these areas in a fashion dictated by its mandate. Regional organizations would respond according to governmental policy imperatives. The NGO community, with its greater flexibility, would fill in the gaps. Coordination would be undertaken jointly by these three tiers, but not centralized through the UN. The Liberia crisis raises the question of sub-regional order in West Africa, resulting in the formation of the Economic Commission of West Africa Monitoring Group. The Yugoslavia crisis symbolises similar questions of regional order in Eastern Europe, and the intervention of the EC raise similar questions to those raised by the ECOMOG intervention in Liberia.

It should be noted that the principle of non-interference in internal affairs has already been challenged by the international community in the post Cold War era, against the background that most of the internal conflicts have their inherent roots in the human rights abuses of the leaders. Indeed, it is widely felt that the spirit of non-intervention should not remain sacrosanct, at the expense of humanity. The then United Nations Secretary-General Javier Perez de Cuellar, justifying the international intervention in northern Iraq, despite noting that Article 2 (7) of the UN Charter prohibits intervention in domestic affairs. He, however, argued that the Universal Declaration of Human Rights implicitly calls into question this inviolable notion of sovereignty, and reiterated that the operation was in defence of the oppressed in the name of morality, which should prevail over frontier

and legal documents. Thus events in Somalia, Kurdistan, former Yugoslavia and Rwanda, as well as Liberia, are obvious examples where the UN, and other organizations have intervened in the protection of human rights so as to save lives.

Therefore, the ECOMOG operation was justified under the United Nations charter, Articles 33 and 52 respectively. Experience has shown the sub-regional organizations are more competent to handle field security operations because the sub-regional actors are likely to be more familiar with the complexity of the issues which the sub-region presents. Yet, the regional attempt in Liberia has clearly shown that peacekeeping missions mounted outside the aegis of the United Nations pose very serious and even special problems for the contributing states. Some of the problems relate to the lack of funds, lack of logistics, inadequate information and intelligence, the manipulation of the mandates to suit either certain contributing states or, the situation in the area of operation.

It can logically be said, that the Liberian crisis has provided cause for a regional grouping of African states to take concerted action as a means of preventing regional economic, strategic and internal destabilization. Whatever the weaknesses of this action, it at least prevented the deterioration of this conflict into "Somali-type human tragedy".¹ Moreover, given the

difficulty which the European Community (EC) has encountered in Yugoslavia, particularly its inability to secure any lasting cease-fire between the country's fratricidal factions, many observers now concede that ECOWAS, in stabilizing or freezing the situation in Liberia may indeed have achieved a historic feat. More importantly, the Liberian election in late July 1997, the first since 1985 saw the emergence of the Presidential candidate of the National Patriotic Front, Charles Taylor, 49, as the winner in the election of a 90 member bicameral legislature. This conjectural example is presented not for the purpose of denigrating the US and EC, but of demonstrating that the current and future ambitions of peacekeeping efforts must be based on a realistic assessment of the levels of competence and resources that are the essential prerequisite to political ambition.

This paper is motivated by the spirited "incitement" by enlightened opinions in Africa and beyond that the Liberian operation introduced a fundamental lesson to the issue of regional intervention/peacekeeping in the continent. For the first time, though certainly far from problem-free, a regional force had intervened in an internal conflict of a member and provided at least, a certain framework of order within which Liberians could address their own future. The trend toward a regionalist, as opposed to a globalist, perspective in conflict resolution and conflict management in the Third World, and in Africa in

¹See Nnamdi Obasi "Perception of The ECOMOG Peace Initiative" in M.A. Vogt (ed), *Liberian Crisis and ECOMOG: A Bold Attempt At Regional Peacekeeping* (Lagos: Gabumo Publ. Co. Ltd., 1992), 362, see also Tunji Lardner, "The Somali Tragedy" *Indent* (16-22 March, 1992): 448 and R.A. Jaster, *The 1988 Accords and the Future*

of South-Western Africa (London: IISS 1990) no. 253, where he described the ECOWAS involvement as preventing one of the "age old bush wars in the region".

particular, offers tremendous opportunities for, as well as challenges to, regional and sub-regional organization in the management of conflicts.²

Therefore, this paper seeks to critically evaluate and analyse the structure of regional peacekeeping and the possible ways that regional bodies will be able to advance preventive diplomacy. The following essential key elements in the conflictual situation that prompted the need for the peacekeeping operations will guide the following discussion.

The Structure of the Conflict. This can be looked at under three headings:

- (a) The Internal Origins of Conflict;
- (b) Internal Conflict and Regional Security;
- (c) Internal Conflict and the International Order.

The Structure of Regional Security. In this respect, three criteria will determine the adequacy of regional peacekeeping:

- (a) Is there a regional structure?
- (b) How consensual or conflictual is the region?
- (c) Is there a structure of regional leadership?

²M.A. Vogt, "The Problems and Challenges of Peace-Making: From Peacekeeping To Peace Enforcement", in Vogt (ed), *Liberian Crisis*, 147-172. Also see Thomas G. Weiss and Kurt M. Campbell "Military Humanitarianism", *Survival* XXXIII, no. 5 (Sept/Oct. 1991): 451-465. Brian Urquhart "Beyond the 'Sheriff's posse'", in *Survival* XXXII, no. 3 (May/June 1990): 196-205 and Gustav Hagglund "Peacekeeping in a Modern War Zone",

The Structure of the Intervention. There are a number of variables which call for analysis, however, for our purpose, emphasis will be on the more critical ones:

- (a) Origin and Basis of Intervention;
- (b) Intervention and Regional Order;
- (c) Intervention and the Internal Political Order.

Force Management and Operations. Here, the actual performance of the Peacekeeping Force will be analysed:

- (a) How well did the Peacekeeping Force Achieve Its Mission?
- (b) Command Structure, Administrative and Logistics, and Finance;
- (c) Conditions of Disengagement.

The Structure of the Conflict

The Internal Origins of Conflict

In Liberia, the conflict which the peacekeeping forces had to deal with was overwhelmingly internal, deriving from the failure of governance which in turn prompted rebellion. It should be noted that the Liberian civil war culminated in the death of Doe and at the same time posed a serious threat to the integrity of the Liberian state. It was the breakdown of state control and the failure of the convention of statehood in Liberia that prompted the intervention by the sub-regional organization.

Survival XXXII, no. 3 (May/June 1990): 233-240. John Mackinlay "Powerful Peacekeepers" *Survival* XXXII, no. 3 (May/June 1990): 241-250.

Internal Conflict and Regional Security

Both the scope of the tragedy in which Liberia was becoming engulfed and the implications of the conflicts for sub-regional security, especially the mass movement of refugees from Liberia to the neighbouring states, led to the intervention in Liberia. The breakdown of law and order, the total collapse of discipline among the soldiers, coupled with the increasing level of social as well as economic hardship had given rise to consensus-building that the situation needed to be arrested. In addition, escalating insecurity of life and property, especially for foreign citizens and embassies also made for compromise, maturity and consultation between the sub-regional leaders.

Internal Conflict and the International Order

An analysis of the international perspectives of the ECOWAS decisions to manage and seek resolution to the crises in Liberia is crucial since it incorporated five levels of state and non state actor relations in international diplomacy. These levels are: (1) Domestic: Individual OAU/ECOWAS States; (2) Sub-regional: ECOWAS; (3) Regional: Organization of African Unity (OAU); (4) Superpowers and former Colonial powers: United States, France and the former Soviet Union; and (5) International: United Nations.

In Liberia, the crisis coincided with the Gulf War which had the preoccupation of United States. This basic assumption had played a redoubtable means in the role played by the sub-regional actors and politics in the way the Liberian crisis was resolved.

The OAU response to the Liberian crisis was to refer to its sacred charter of non-interference in the internal affairs of sovereign states. The OAU leadership, however, monitored and observed the work being done by the ECOWAS, describing it as a "very bold and very significant decision" in attempting to resolve a regional crisis with a "humanitarian character besides having a political dimension".³ President Yoweri Museveni confirmed that he, in his capacity as the chairperson of the OAU, had encouraged President Babangida of Nigeria to go into Liberia because of the hopelessness of the situation.⁴

Internationally, the UN response to the Liberian crisis presents an interesting case of decision-making in international organisations. The African members of the Security Council, Ethiopia, Zaire and Cote d'Ivoire were reluctant to have the Liberian case on the agenda. Ethiopia and Zaire, understandably, were not interested in discussing this issue because they both represented repressive regimes and none of them wanted embarrassing questions directed at them, while Cote d'Ivoire supported the NPFL, one of the rebel factions, in political and diplomatic circles.⁵

³Peter da Costa, 'Intervention Time: ECOWAS Dispatches Peacekeeping Force', *West Africa*, 13-19 August 1990, 2280.

⁴See Africa Report, July/ August 1993, 25, and Salim Salim, OAU Secretary General corroboration of this view in *The Guardian* (Lagos) (May 10, 199): 6.

⁵In the UN Security Council, when Resolution 813 was being debated, Cote d'Ivoire inserted the words "one of the parties to the conflict" in place of the "NPFL" in the clause assigning blame for the seemingly intractable crises, thus giving the public the impression that many factions were causing the obstacle for ECOMOG success in Liberia. The

The UN Secretary General Perez de Cuellar, though refusing to participate actively in the crisis, however, wished the ECOWAS initiative every success.⁶ With both the OAU and UN refusing to participate in finding solutions to the crisis, the US and the former Soviet Union were the two powers with the means and political will to bring the warring factions to their knees. It must be stressed that Soviet policies towards sub-Saharan Africa begun to change after 1988 when the Soviet policy makers confirmed that Marxism-Leninism exerted undue influence on foreign policy. Thus, a gradual effort was made to shift ideology influenced policy making and implementation to one characterized by pragmatism.⁷ In March 1990, Soviet Foreign Minister Eduard Shevardnadze confirmed that support for liberation struggles was to be primarily on

the basis of the issue at stake. Involvement in conflicts which were of no direct interest to the Soviet state were to be downgraded while those international crises which could be better solved by co-operation and dialogue would be preferred. Conflict resolution and relations between states were not to be seen "through the filter of stereotyped ideological perceptions".⁸ Under the new Soviet dispensation, Liberia and its problems were relegated to the periphery and did not come under the previous Marxist-Leninist evaluation where it would have been elevated to super-power competition. It must also be borne in mind that the Liberian crisis coincided with the turbulent period witnessing the break -- up of the Soviet Union and introduction of democracy throughout eastern Europe, thus making it extremely difficult, even if she had wanted, for the USSR to be involved or play any significant role.

clause was modified and read as follows: "the Council condemns the continuing armed attacks against the peacekeeping forces of ECOWAS in Liberia by one of the parties to the conflict". In this connection, Cote d'Ivoire weakened Resolution 813 when France expressed concerns about "a fundamental issue"; the UN could impose an embargo, but not a sanction until the Secretary-General had reported to the Council. France also wished to have an embargo apply to ECOMOG as well, hence implicitly informing the Security Council that ECOMOG is unfortunately no longer a neutral party but now one of the combatants. Influenced by the Cote d'Ivoire opposition, Resolution 788 was the first step by the system in the conflict. The Ivorians and Burkinabes, departing from the UN norms, sought to thwart and revise the "consensus" draft the African Group at the UN had wished to submit to the Non-Aligned Foreign Ministers' meeting in Jakarta.

⁶*West Africa*, 13-19 August 1990, 2280.

⁷See Aderemi Ajibewa, "Perestroika and Glasnost: The Challenge of Changes in Eastern Europe for Africa", Development Studies Association 1990 Conference proceedings, 5-7 September 1990.

Similarly, the US policy makers downgraded the importance of Liberia and her problems after the post-1989 global changes and gave her no place in the "New World Order". In spite of the historic ties between Liberia and the US, the official US policy was one of "hands-off". The US continued interests in some of her backyard countries like Grenada and Panama and her involvement in Kuwait had made some regional experts believe that Africa has been marginalised in the new world order. The US, however, as of December 1993 according to Christine Shelly, the act-

⁸Alexander Bessmertnykh statement when interviewed on African Network Service in January 1991.

ing State Department spokesperson, has given financial assistance to the tune of \$30.83 m to the UN Trust Fund as part of its support to the Liberia peacekeeping. In addition, the US allocated \$11 m in support of the deployment of the expanded ECOMOG.⁹ Neither the OAU, UN, the Soviet Union nor the USA were interested in finding solutions to the crisis. However, given the chaotic and hopeless nature of the Liberian situation, the decision to intervene automatically fell on the shoulders of those who were most directly affected by it -- the ECOWAS member states.

The Structure of Regional Security

Is There a Regional Structure?

An effective regional structure must establish a forum where the region's common economic, political and social interests could be discussed. In this connection, a viable basis for regional security rests on "rules", whether tacit or explicit, and a "Diplomatic Basis" on which regional actors broadly agree which essentially provides a generally acceptable solution, though in the process, some actors might have to be pressurised to accept it.

Given the setting in the international system, it is perhaps necessary to look at West African Peacekeeping exercise and whether the conflict zone fits into an already existing regional structure. This might have prompted the intervention of neighbouring states and consequently help to

determine the adequacy of regional peacekeeping.

The initiative took place within West African geopolitical environment. Liberia has all its neighbours, namely Sierra-Leone, Guinea and Cote d'Ivoire, as members of ECOWAS. ECOWAS, first and foremost, an economic organization established in 1975 to promote economic integration in the sub-region, acted to salvage the situation in Liberia. Two issues are perhaps of interest here.

- (1) What were the reasons leading to this drastic policy which has affected sub-regional foreign policy implementation in a way that changes previously accepted norms and praxis? and,
- (2) What provisions are made for ECOWAS to take the necessary decisions to control aggression and conflict management?

ECOWAS, however, underwent one of its radical legislative measures in 1978 and 1981 with the signing of the Non-Aggression Treaty and Mutual Assistance on Defence Protocol respectively, thus producing a transition of the organization from purely an economic into a military sub-regional organization. The Community, right from the onset, has always been addressing political issues however; the convergence between political and economic matters informed the signing of these two broad protocols. It is under these two measures that the ECOWAS intervention was sought. The organization and the protocols provided legitimation forum for the action of the coalition forces through the various ECOWAS Heads of states/Foreign Affairs meetings.

⁹*West Africa*, 17-23 January, 1994.

How Consensual or Conflictual is the Region?

The Liberia setting, which falls under West Africa, is relatively peaceful or less conflictual as compared with the North Africa with its different political philosophies and policies. Nonetheless, West Africa is not only characterized by division between Anglophone and Francophone States, but also the division between Nigeria and the Francophone states within West Africa. Smaller or weaker states such as Cote d'Ivoire and other Francophone states in West Africa looked for security by signing various defence treaties with France.

It is important to realise that the fear of an emergent revolutionary regime attempting to destabilize the regional status quo was so prevalent that the Rawlings take-overs both in 1979 and 1981 were met with economic, diplomatic and political sanctions, an action led primarily by Nigeria. Samuel Doe's take-over in 1980 met similar responses from regional leaders, while Doe broke diplomatic relations with Ghana in 1981 because of Libya's support for a radically emergent regime. However, the death of Sekou Toure of Guinea and Thomas Sankara of Burkina Faso in 1984 and 1987 respectively saw the West African sub-region likely freed of frontliners of revolutionary exports.

Conflictual subsystems tend to be difficult to pacify because of the arms buildup, acquisition, proliferation and use of arms by the warring factions. Implicitly, settlements are normally difficult to enforce.

Is There a Structure of Regional Leadership?

Regions, which have potential regional leaders, for example, seem to be most effective in making collective decision, championing field operation and building a consensus to resolving and managing disputes. In the Liberian case, the major initiator was Nigeria, the major industrial power and influential member of the ECOWAS. By reason of being a pioneering member of the organization, coupled with the fact that it funds a third of its annual budget, Nigeria felt concerned about the survival of ECOWAS. Nigeria provided both official and unofficial economic assistance to its less endowed neighbours, as and when requested, a situation that brought substantial goodwill and was converted into diplomatic support.

The Nigerian government leadership role in this respect was of particular importance because it had to bear a substantial part of the burden of any military initiative, in terms of men, money and materials. Moreover, the country had considerable diplomatic clout because of its size, status, potential and close relationship with most members of ECOWAS. The appointment of a Nigerian to command and co-ordinate the operations was no doubt the recognition of Nigeria's leadership role in the sub-region and Africa in general. Nigeria's commitment to the peace effort was amply demonstrated by the way Nigeria used her constructive diplomatic action, political restraints in rescuing ECOWAS from internal rivalries that created rifts and factions within the community.

Nigeria uses the "carrot and stick" policy. It was difficult to convince a large

number of states to contribute troops to ECOMOG because of the expense of financing the participation of their troops. Nigeria, being the coalition leader, came to the rescue of the operation by dispatching many battalions to Liberia. Furthermore, as of June 1991, the Financial Times correspondent reported that a substantial component of Nigeria's Gulf War windfall -- between 250-500 million dollars -- had been used to finance ECOMOG in Liberia. Nigeria was given a free hand by the United States, and was able to define the task and role of the force and able to convince some of the regional leaders of the basis of intervention.

Nigerian leadership aspirations became an obstacle to French nationalism not only because they stood to frustrate it, but also because Nigerian behaviour struck at the core of French inferiority. Thus, in the Liberian setting, Nigeria provided leadership and management; and the "rules of engagement", drawn up at the various meetings of ECOWAS Head of States and diplomats, regulate and monitor the mission of ECOMOG in Liberia. The major problem of Nigeria's leadership to which the international community constantly drawn attention arises from the failure of the military government in Nigeria to meet the requirements that they have claimed to impose elsewhere.

The Structure of Intervention

Origin and Basis of Intervention

The issues of legal argument against non-intervention by "external" forces in the Liberian conflict, however need to be analysed against the above background of

the protocol that provided a legal basis for community concern and involvement in Liberia. First, for clarity of purpose, the dispute over ECOMOG, as will be seen in the course of our analysis, was not so much a disagreement over the legality of the mandate but rather an intra-community political difference which culminated in various interpretations of the Protocol. African nations, weak, dependent, unstable and fragile entities that many of them are, deeply and rightly cherish the principle of non-interference in the internal affairs of sovereign nations. Many of the African leaders are despots who had experienced domestic rebellions and internal revolts which had been harshly put down. Some leaders in the sub-region were extremely concerned that Liberia and ECOWAS should not create a precedent for external involvement which could be used against them at a subsequent date.

Natural as these fears and concerns were they were scarcely justifiable. *First*, the principle of non-interference presupposes the existence of an effective and functioning government in the country in question. It can be reasonably and persuasively argued that at the time when ECOWAS took its historic initiative, the legal status of Liberia as a sovereign state was in dispute; at the time of deployment of ECOMOG, there was no government to negotiate with and to hold responsible for the atrocities that were being perpetrated against innocent citizens of Liberia and other African states and for the violations of the immunity governing the establishment of diplomatic missions. Liberian conflict could not accurately be described purely as an internal affair of that country. In addition, there were in-

dications of sub-regional complicity in the seemingly intractable crisis. Charles Taylor's NPFL cadets trained in Libya and crossed into Liberia from Cote d'Ivoire with Burkina Faso providing a staging post plus a conduit pipe for supplies and transborder facilities by Cote d'Ivoire.

The timing, formation and deployment of ECOMOG forces generated a lot of legal controversy that nearly tore ECOWAS apart. The problem ran along the Anglo/Francophone dividing line in the Community. Distrust, bitterness, jealousy and feeling of neglect by some leaders in the Community fueled controversy over ECOMOG. Furthermore, international jurists, statesmen and academics highlighted principles justifying inaction; in effect they pointed to non-intervention Articles in the charters of the UN, OAU, and ECOWAS itself.

The legal arguments centered on why an economic organization essentially meant for economic integration should assume the responsibility for a peacekeeping operation. *Second*, it was argued that the decision to deploy ECOMOG was contrary to Article 3, Section 2 of the OAU charter and the corresponding Article 2 (4) of the UN charter which forbid interference in the domestic affairs of member states. Moreover, it was said to violate the 1978 ECOWAS Protocol on Non Aggression, especially Article 2 which stipulates "Each member shall refrain from committing, encouraging or condoning acts of subversion, hostility or aggression against the territorial integrity or political independence of other member states".

However, the attempt to delink economic integration from politics/regional security

is a moot point. In the modern context the fine line dividing these two processes is very thin indeed. Security is a concept that incorporates social, economic and political concerns. The realization of this view resulted into the two broad legislative measures of 1978 Non-Aggression Treaty and 1981 Mutual Defence Protocol. The most interesting aspects of the protocol for our analysis are as follows.

Article 4 of the ECOWAS Protocol relating to Mutual Assistance on Defence recognised the particular proclivity of internal West African crisis extending beyond national boundaries and as such empowered ECOWAS leaders to intervene domestically in the internal affairs of member countries, which state that:

Member States shall also take appropriate measures such as specified in Articles 17 and 18 of the present Protocol in the following circumstances:

In case of armed conflict between two or several Member States if the settlement procedure by peaceful means as indicated in Article 5 of the Non-Aggression Protocol mentioned in the preamble proves ineffective;

In case of internal armed conflict within any Member State engineered and supported actively from outside likely to endanger the security and peace in the entire community.¹⁰

In this case the Authority shall appreciate and decide on this situation in full collaboration with the Authority of the Member State or States concerned. It was decided by members to co-ordinate and pool their resources in order to ensure their ex-

¹⁰See Article 4 of the Protocol Relating to Mutual Assistance on Defence. Done at Freetown on 29 May 1981 in Vogt (ed), *Liberian Crisis*, 33.

ternal defence. The first principle relates to the "promotion of a peaceful environment" at both the intra-community and extra-community level for Africa's successful socio-economic development. The initial rationale for this protocol saw Libya and other non-ECOWAS powers as the main possible threat. It should be emphasised, yet again, that the provisions of the ECOWAS Protocol Relating to Mutual Assistance on Defence, especially Article 18, underlined the rationale for ECOMOG involvement in Liberia. What was envisaged was that the Protocol would act as a catalytic agent in providing a collective security structure through which the security of the member states would be guaranteed by collectively acting against an aggressor state, or in internal security problems, assistance should be provided to the member state if such conflicts were found to have external linkages and support and more importantly, if the state meets internal obligations.

This weakness notwithstanding, Articles 6 (3) and 17 empowered the Authority to use all appropriate action including military action when necessary to intervene in the affairs of member states. Obviously, Article 16 gave the member state under attack the option to send a written request for assistance to the current Chairman of the ECOWAS Authority.

Indeed, these are radical changes in policy from the OAU's Article 3 (2) and the UN Article 2 (4) which enshrine the clauses of non-intervention in the internal affairs of member states.¹¹ Conspicuously lacking

in the Protocol, however, are the instruments for the establishment, finance, maintenance and command and control mechanisms for any such "Allied Armed Forces of the Community". The criticism that the position of ECOMOG is not covered by the provisions of the Protocol can be supported by the fact that arrangements for intervention, structure and mechanisms were rather made under a Modality of Intervention and Assistance for raising troops for collective action under Chapter V Article 13 (1-3), which states, "all members agreed to place at the disposal of the community, earmarked units from the existing National Armed Forces' which shall be referred to as the Allied Armed Forces of the Community" (AAFC).

At the Extra-Ordinary Session of the Authority of Heads of State and Government held at Bamako, Mali on 27-28 November 1990: "the Authority noted the report and expressed its appreciation to the members of the (Standing Mediation) Committee for the initiatives taking in finding a peaceful resolution to the crisis in Liberia". It also endorsed the ECOWAS Peace Plan for Liberia as embodied in the Banjul Communiqué and Decisions of the Standing Mediation Committee adopted on 7 August, 1990.¹² This endorsement would appear to seal the question of legality ex-

of Member States" in Frederick E. Snyder & Surakiat Sathirathi (eds), *Third World Attitudes Toward International Law* (Dordrecht: Martinus Nijhoff, 1987), 77-86.

¹²See the interview with Jawara by Kaye Whitman "Towards Peace in Liberia" *West Africa*, 26 November - 2 December 1990, 2894-5; and, *Official Journal of ECOWAS* 21 (1992): 43-44. See *West Africa* 26 November - 2 December, 1990 and *Official Journal of ECOWAS* 21 (1992): 43-44.

¹¹See A. Bolaji Akinyemi, "The OAU and the Concept of Non-intervention in Internal Affairs

cept that legal questions have always been a reflection of political differences and interpretation.

Intervention and Regional Order

A most significant outcome of the desire of ECOWAS countries to seek regional peace and security was the creation of the Non-Aggression and Mutual Assistance Pact and Defence Protocol in April 1978 and 1981 respectively. What tied these countries together was their proximity to one another, a proximity which ruled out indifference as an option in reacting to events in the sub-region. Since the formation of ECOWAS their judgement on issues in

the entire sub-region has commanded much respect from the international Community. As would be expected, most were actively involved in the Liberian crisis. But the apparent unanimity of intention among ECOWAS states should not obscure the obvious differences between them as to how best to resolve the Liberian problem. As should be expected in any conflict with many interests at stake and conflicting interest, the ECOWAS involvement in the Liberian struggle had its own subtle backstabbing, and occasionally, diplomacy with blurred intentions. The leaders of these countries principally disagreed in their perception of the Liberian leaders cum warring faction leaders. Also a source of disagree-

Table 1

RATIONALE FOR EVALUATING INDIVIDUAL MEMBER STATES FOR INVOLVEMENT AND NON-INVOLVEMENT

Country	Politi.	Pers.	Econ.	Mil.	Strat.	Humanitar.
Benin	X				X	
B. Faso*	X	X			X	
Cape Verde						
Cote d'Ivoire*	X	X	X		X	
Eq. Guinea						
Gambia**	X		X			X
Ghana**	X	X	X			X
Guinea**	X					X
Liberia						
Mali*						
Mauritania						
Niger						
Nigeria**	X	X	X	X	X	X
Senegal*?	X					
Sierra-Leone**	X	X	X	X	X	X
Togo*	X					

* The five members of the ECOWAS that raised objections to the plan and are seen to be associated with NPFL.

** Nigeria, Ghana, Sierra-Leone, Guinea, Gambia are states associated with ECOMOG.

Politics cut across all the member states since the issue to participate or not revolves around the sub-regional politics. However, for clarity of purpose, our analysis or assessment will enunciate further on the issue.

Table 2

STATE PARTICIPATION/NON-PARTICIPATION IN ECOMOG-LIBERIA					
State	Group Supported	Level of Support	Extent of Pol/Dipl.	Motives for inv.	Assessment for inv.
Benin	ECOMOG	low	limited	unclear	unreliable
B. Faso	NPLF	high	extensive	affective	detractive
Cape Verde	-	-	unclear	-	-
Cote d'Ivoire	NPLF	high	extensive	affective	detractive
G. Bissau	-	-	-	-	-
Gambia	ECOMOG	high	extensive	affective	crucial
Ghana	ECOMOG	high	extensive	instrumental	crucial
Guinea	ECOMOG	high	extensive	mixed	useful
Liberia					
Mali	ECOMOG	low	limited	token	useful
Mauritania	-	low	limited	unclear	unreliable
Niger	-	low	limited	unclear	unreliable
Nigeria	ECOMOG	very high	extensive	instrumental	very crucial
Senegal	ECOMOG	low	limited	mixed	useful
Sierra-Leone	ECOMOG	high	limited	mixed	crucial
Togo	ECOMOG	low	limited	-	unreliable

NPLF - National Patriotic Front of Liberia.

ECOMOG - Economic Commission of West African States Monitoring Group.

Affective means considerations of ethnic identity, religion, ideology, humanitarian reasons and personal links with leaders of revolting group

Instrumental includes economic gains, political state, strategic considerations, prestige, domestic reasons and international clout.

ment was the internal composition of their respective states as well as their different perceptions of the situation in the entire West Africa sub-region.

However, our discussion here will provide the basis for the intervention of individual states in Liberia ranging from the logistical and political arguments to those of “kith and kin” and the fear of the peace-keeping force later operating in their country. Two of these countries, Cote d’Ivoire and Burkina Faso, took steps that openly manifested their preference for Charles Taylor. Possibly other members also took sides, but they were not as demonstrative as Cote d’Ivoire and Burkina Fasso. For the purpose of this section, six elements

as shown in Table 1 have been identified which can be used for evaluating individual rationale for involvement/ non involvement in the Liberian crisis. These are political, military, strategic, humanitarian, economic and personal. Table 2 shows the degree of commitment of member states to the enterprise, while Table 3 shows the composition of ECOMOG as of 1992.

As can be seen from the typology developed above, it is difficult to make distinct divisions between affective/instrumental rationales for participation/non-participation in the ECOMOG intervention. Rather, instrumental will mean purely or predominantly instrumental while affective will mean main-

Table 3

THE COMPOSITION OF ECOMOG, JULY 1992

Country	Troops in ECOMOG	National Total	% ECOMOG/ National- Total
Gambia	100	800	12.5
Ghana	1,500	7,200	20.8
Guinea	400	9,700	4.1
Mali	6	7,300	0.1
Nigeria	5,000	76,000	6.5
Senegal	1,200 (W)	9,700	12.3 (W)
Sierra-Leone	400	6,150	6.5
Total	8,606	116,850	9.5

Sources: IISS, *The Military Balance 1992-1993* (London: IISS, Brassey's Ltd., 1992) Mali contributed 6 men as a token tactic to broaden the base of the ECOMOG forces in an effort to counteract the impression of an anglophone dominated peacekeeping force.

ly or purely affective, and mixed mean a combination of affective and instrumental.

Nigeria's relations with members of the ECOWAS have always been characterized by the "big brother" syndrome. Thus, Nigeria explained its decision to participate in the force due to the fact that the sitting government had lost its credibility to govern and that the diverse factions involved in the struggle held society hostage.¹³ Ghana gave a series of reasons for participation but in general cited the lack of government as one of them. Cote d'Ivoire initially refused to participate in the regional effort because it actively provided political and economic support to Charles Taylor but it, however, supported the diplomatic and not the military option.

Burkina Fasso, at the onset justified its non-participation in regional peace ef-

forts because "Liberia is far away... and being an Anglophone country we do not have much interest out there".¹⁴ Togo had earlier pledged to contribute but later retracted, and followed the Ivorian and Burkinabe positions. Togo has justified its action as, "preventing the peace mission being turned into an armed conflict between the regional body and the antagonistic factions in beleaguered Liberia".¹⁵

Senegal's initial reaction was to stay out of the peacekeeping as a whole, though giving its support to the ECOWAS, but it changed and later joined forces with Ghana, Nigeria and Guinea. Senegal subsequently withdrew its troops to serve inside the country to provide riot control measures during the last elections.

Personal/Regime security also played a part in the initial decision to intervene on the part of Nigeria. Babangida and the former Sierra-Leone President Joseph Momoh were personal friends and schoolmates at the Nigerian Defence Academy, Kaduna. Momoh's initial requests to the Babangida government for support to ward off the NPFL incursion into the Kailahun region in April 1991 and the Nigeria government's quick decision to act unilaterally without consideration of human and material implication to Nigeria shows the level of camaraderie between the two. Nevertheless, it lent justification to the idea of conflict resolution by sub-regional intervention and tied in with the ECOWAS ideal of collective security.

¹⁴See Barki Gbanabone, "Enfant Terrible" Explains: Campaore Defends his Role in the Liberian Crisis', *West Africa*, 16-22 November 1992.

¹⁵*New Africa*, November 1990.

¹³*West Africa*, 13-19 August 1990.

Babangida had a history of personal friendship with Doe. This was clearly shown by the various visits made to Nigeria by Doe before and after the war. Surprisingly, Doe made his appeals for help not to the Gambia leader, Dawda Jawara, the ECOWAS Chairman, but to Nigeria because of the fact that he was conscious of the country's geo-political importance in the region coupled with the fact that he had cultivated personal friendship with Babangida. It must also be significant to note here that Doe established the Babangida Institute of International Relations in December 1988 which was funded and staffed through the secondment of some Nigerian academics on International Relations.¹⁶ The relationship was further compounded in the aftermath of the April 1990 abortive coup in Nigeria when Doe visited Nigeria to show solidarity with his African brother over the coup. Accordingly, given the above consideration, in the wake of ECOMOG, political and intellectual elites argued that the Nigerian initiative to intervene in Liberia was a function of selfish interest -- the desire to protect Doe. One could to some extent see a parallel between US action in the Gulf and Nigeria's intervention in the Liberian conflict. Perhaps, the only clear indication so far has been the Nigerian leader's attempt to provide logical justifications for Nigeria's involvement in a treatise entitled, "The Imperative Features of Nigerian Foreign Policy and the Crisis in Liberia,"

¹⁶This author was nominated in July 1989 from the Department of International Relations Obafemi Awolowo University, Nigeria. All those seconded were to be paid in foreign currency when their counterpart in Nigeria are paid in local currency, thus creating a tension within the academics.

1990. In it, he resurrected that Nigeria's foreign policy was built on three concentric circles: Nigeria and the defence of its territorial integrity; immediate neighbours and ECOWAS; and Africa as a whole. To anchor the involvement in the Liberian crisis, he stressed that the three elements "are obviously interlocking and conterminous". If the events are such that they have potentials to threaten the stability, peace and security of the sub-region, Nigeria in collaboration with others, in this sub-region is duty -- bound to react in an appropriate manner necessary to either avert the disaster or to take adequate measures to ensure peace, tranquillity and harmony.¹⁷

In this connection, events with spillover and spin off effects and destabilization in the sub-region would not allow the organization to generate sustainable economic growth, thus having profound economic implications. It becomes obvious therefore, that prevention of the possible spillover effect will be seen from above as providing enough basis for intervention. Nigerian and Ghanaian businessmen who had gained immensely from engaging in business especially from Cote d'Ivoire and Liberia pressurised their governments into making efforts toward resolving the seemingly intractable crisis.¹⁸

¹⁷Quoted in *West Africa*, 12-18 November 1990, 2836.

¹⁸Interview with Gabriel Umoden, a renowned Nigerian publisher. Olatunde Ojo argued that the high number of Nigerian business men in Franco-phone countries was as a result of ECOWAS provision of the "rule of origin" which excluded products from French owned businesses based in franco-phone West Africa from accruing benefits of intra-ECOWAS trade. See "Nigeria and the Formation of ECOWAS", *International Organization*, 34, no. 4, (Autumn 1980): 585. Movements of goods and ser-

Moreover, Guinea and Sierra-Leone which share a common border with Liberia feared the spectre of possible spill over effects on their internal security. Guinea and Sierra-Leone fears were grounded due to inclusion of their nationals in the rebel forces of Charles Taylor's NPFL. Ghanaian, Togolese and Gambian nationals were alleged to be part of the Taylor rebel forces which meant that an NPFL victory in Liberia could possibly lead to political/military upheavals in Ghana, Gambia, Togo, Sierra-Leone and Guinea.¹⁹ This was a realisable scenario taking into consideration the fact that with the exception of the Cote d'Ivoire, Gambia, Senegal and Benin, the remaining leaders in the sub-region all came to power through military take-over and coup like the Doe government, even though attempts had been made by some of them to legitimise their rule through the conduct of elections.

However, the then Chairman of ECOWAS, Sir Dawda Jawara while defending the ECOMOG action have cited humanitarian causes as a prime reason for intervention.²⁰ The dispute as it developed had the hallmark of a colonial hangover. Presumably,

vices by road had been seriously hampered by the war. This author had to take unorthodox routes to Cote d'Ivoire and Liberia despite possessing ECOWAS Citizen pass.

¹⁹H. Boima Fahnbulleh, Jnr, "Struggle for Democracy", *West Africa*, 22-28 March, 1993, 462. Fahnbulleh describes the inclusion of foreign nationals in the Taylor's force, and the whole incursion as "an invasion" in *Africa Confidential* 32, no. 8, April 1991. For Charles Taylor's diverse reasons for starting the war and the make up of his forces from different West African States, see *New Africa*, October 1992.

²⁰*West Africa*, 26 November - 2 December 1990, 2894-5 and 1-7 July 1991, 1076.

the need to reduce French influence in the sub-region as a whole, and an attempt to bridge the colonial anglophile/francophone misunderstanding influenced decision-making in preventing a repetition of what Leopold Sedar Senghor characterized as the "Spirit of Fashoda" in West Africa. The cleavages remained and, though often subdued, appeared from time to time to complicate the process of intra-community relations. Liberia and Charles Taylor provided a motivation to eradicate these old demons. It is understandable, therefore, that Babangida and Jawara pursued a policy of incorporating critical Francophone states such as Cote d'Ivoire, Senegal and Burkina Faso while conceding leadership of the initiative of a regional settlement of the Liberian crisis to Cote d'Ivoire culminating in the various Yamoussoukro Agreements.

Intervention and the Internal Political Order

The ability of the sub-regional or regional organization to successfully establish a force for a region depends to a large extent on two factors. *First*, the ability of the regional actors to broadly agree on "rules" whether tacit or explicit, in order to provide a generally acceptable solution, even if it involves some actors being pressurised to accept it; and, *second*, the organizational ability to successfully articulate the type of pressure facing the continent in the millennium.

Once this is done, it will be easier to reach a formula for meeting the principles governing all forms of intervention, especially if the leaders realize that democratic systems that respect human rights and

seek equitable economic growth are the best guarantees of peaceful change and stability. The complete breakdown of state control and the failure of the convention of juridical statehood were one of the major reasons for intervention in Liberia. As of 24 August 1990, when the peacekeeping force moved to Liberia, there existed two governments in Liberia. Charles Taylor, the NPFL leader laid claim to control 95 per cent of the landmass of the country. He formed his government in 4 August 1990, but was unable to dislodge Doe, who had been confined within the Executive Mansion and unable to govern. The third faction leader, Prince Johnson was fighting desperately to hold on to the port of Monrovia in Bushrod Island.

Johnson enthusiastically received ECOMOG and facilitated its deployment on the Free-port Area. It appeared to suggest that Johnson was essentially a man of compromise, and if they were to choose whom they were to do business, it would be Johnson. Thus, right from the onset, the ECOMOG force was mortgaged or compromised, as the force had to enter into a de facto alliance with Johnson's INPFL faction, which provided so much support and co-operation for ECOMOG landing Charles.

Nigeria's flirtation with Samuel Doe's regime coupled with the numerical preponderance of her troops had all along been held suspect by Charles Taylor's NPFL and further increased distrust of Nigerian's motives. Indeed, this put into question the genuineness of Nigeria's role as a neutral arbiter. Nevertheless, against the background of Charles Taylor's accusation of ECOMOG forces forcing their

way into Liberia in a manner remotely resembling military adventurism, one might ask, as posited by a political analyst, capture Liberia for who and from whom and for what purpose? In October 1990, Taylor ran his own 24-member government, the National Patriotic Reconstruction Assembly (NPRAG) as parallel government to that of IGNU and subsequent TNGU formed on 7 March 1994.

Force Management and Operations

How Well Did the Peacekeeping Force Achieve Its Mission?

The mandate of any peacekeeping force is very central to the success of its mission. It must in all cases be clear, precise and unambiguous. This is to avoid misinterpretation not only by the host state or warring factions but also to ensure the impartiality of the force. ECOMOG did not suffer the disadvantage of an ambiguous mandate. It was to "establish some form of order through effective policing action, especially in Monrovia, while arrangements were being made for the establishment of an interim government".²¹ However, subsequent developments were to prove that ECOMOG is styled as a peacekeeping force but details of the mission bordered on peace-making and peace-enforcement.

Acceptance by two of the factions -- Prince Johnson (INPFL) and trapped Pres-

²¹M.A.Vogt, "Overview of the History of African Peacekeeping Initiatives focusing specifically on the OAU in Chad and ECOWAS in Liberia". Unpublished Draft, 1993, and also, Lt. Gen. E.A. Erskine, "Case for Regional Peacekeeping in Liberia", Paper presented at the International Political Association Vienna Seminar on Collective Security and Peacekeeping, 7-18 July, 1991, 23.

ident Samuel Doe's army (AFL) -- eased the Force Commander's task of setting up a "safe haven" but did little to solve ECOMOG's identity crisis. Indeed, it was evident from the broad mandate which the Mediation Committee assigned for itself, and from the task which ECOMOG was given to perform, that the act of peace-making in Liberia was a great deal more intricate than the single act of peacekeeping. Peacekeeping pre-supposes the existence of a cease-fire or at least the readiness of the parties to the dispute to agree to a cease-fire. The Liberian conflict did not conform to this universal principle. The peacekeeping force was to monitor a cease-fire that simply did not exist. Implicitly, it was deployed into an active war zone and was made a party to the dispute from the beginning.

Nonetheless, this initial operation was only a partial success while the diplomats and the Heads of state wrestled with Charles Taylor. The dramatic incident when Prince Johnson, the INPFL leader took advantage of the security lapse to kidnap and then kill Samuel Doe while on his first visit to the Headquarters on 9 September 1990 raised serious doubts about the force's role in Liberia. Without the order to fire, ECOMOG soldiers watched helplessly as INPFL rebels killed more than 70 disarmed AFL troops and captured Doe. It reminded humanity of the arrest and subsequent murder of Prime Minister Patrice Lumumba of the Congo in 1961 by one of the factions in the Congo crisis right under the full view of United Nations Peacekeepers.

To what extent Quainoo, the Force Commander was to blame is still an open ques-

tion. As a tentative cease-fire failed from 29 September 1990 the mandate given to the force changed from peace "monitoring" to "imposing" allowing the force to utilise offensive-defence, military strategy to effect pacification of the Monrovia area and to deter continued attacks on the force and innocent people who were not party to the conflict. The mandate subsequently fluctuated between conducting a peacekeeping mission and peace enforcement depending on the circumstances as well as perception of the various force Commanders.

From the above analyses, it is clear that the peacekeeping force had its mandate altered midway during its mission. What was the impact of the change in mandates on the force vis-a-vis their relations with the host? Did the different mandates have any impact on the organization? Of course, the shifts in mandates did have some impact on the Liberian conflict, however, in a way that did perhaps bring some semblance of stability in Liberia. In spite of the inability of ECOMOG to compel Taylor to abandon his Presidential ambition, the force had by February 1991 succeeded in enforcing a cease-fire of sorts. Besides, the military offensive, albeit integral components of ECOWAS's carrot-and-stick tactics, also succeeded in restoring all essential services and installed an interim government in Monrovia as part of the ECOWAS peace plan. The Force thereafter reverted to purely peacekeeping function, playing the role of policeman, bodyguard, nurse, social worker.

Command Structure, Administrative and Logistics, and Finance

Command Structure

A command structure is a necessary and important requirement to the success of a peacekeeping force. However, the issue is complicated by the fact that contingents are comprised of troops drawn from several nations. In the contemporary period, serious operational problems which had beset many of these efforts have only been minimised by the force commanders' skill and charisma. In the ECOMOG mission, the force commander has had much more than cultural fissures to contend with. More important were the different perceptions and political/diplomatic differences between and among the contributing states. The mission was federally organised. Each troop contributing state was responsible for all the needs of its contingent: transport, food, funds, allowances, medical facilities. Such extra-responsibility, as Erskine has rightly pointed out, "makes it look as if participation in OAU/ECOWAS sponsored peacekeeping mission is a punishment".²²

What is clear, particularly in the case of the ECOMOG force, is that the ECOMOG Commander did not face many problems in Liberia because of the massive support which Nigeria, the dominant power in the sub-region, gave to the operation. Nigeria provided about 80 per cent of all the expenses of the force and about 70 per cent

of the troops. What were the implications of the above for the Force?

If care is not taken, the Force Commander can be sandwiched between his diplomatic responsibilities locally and another set of diplomatic pressures operating on him from above.²³

Finally, it appears that the ECOMOG mission in Liberia was able to avoid some of the serious command problems. Thus as I. William Zartman stated that large states play great roles in international relations this dictum has once more been exemplified by decision-making process in the ECOMOG. Nigeria, the *primus motor* in the ECOWAS system because of her economic strength and unbounded optimism was able to provide the leadership. All of the original contributing states, apart from Ghana, were in one way or the other close to Nigeria. However, Ghana's support was assumed once Nigeria had decided to cede the post of Force Commander to a Ghanaian. The other three, Gambia, Guinea and Sierra Leone, were in one form or the other dependent on Nigeria and had also developed very close ties with that country.

This is not to say, though, that the ECOMOG operation was not the subject of bitter controversy or that there were no tensions among the troop contributing states. In fact, one of the distinctive features of the ECOMOG mission was what we may call unilateralism especially on

²²Lt. Gen. E.A.Erskine, "Case for Regional Peacekeeping in Liberia", Paper presented at the International Political Association Vienna Seminar on "Collective Security and Peacekeeping", 7-18 July 1991, 23.

²³Interview in Lagos on 18 June 1993 with General Rufus Kupolati, the leader of Nigerian Contingent in Chad. This is not a new issue in peacekeeping, John Mackinlay, also pointed out this problem in his book.

the part of Nigeria. This situation was particularly noticeable with regard to the mandate of the force as well as in the appointment of its commander. While the appointment of the first force commander was by consensus, the circumstances under which he was replaced by a Nigerian in October 1990, after less than the normal six month tenure, strained the relations between Nigeria and Ghana for sometime. However, Ghanaian sensibilities were soothed by the initial designation of Dongoyaro as "field commander", an arrangement that was short-lived. But once Nigeria was able to weather the storm "a tacit convention" was established that ECOMOG force commanders must be Nigerian; given the highest number of troops, and four-fifth of the finances, this was a situation that reflected the pattern even in the UN operations. Nigeria's domineering position resulted in dissension among several national forces.²⁴

Administrative and Logistic Problems

A solid administrative and logistic support is basic to the success of any peacekeeping operation. These enormous logistic requirements such as accommodation, vehicles for transportation, rations, fuel and lubricants, spare parts, clothing stores, com-

munication equipment, drugs and engineering equipment etc. were in short supply in the Liberia operation. Thus, it could be argued that the deficiency of African nations in these key areas would inevitably pose serious problems for any African sponsored peacekeeping operation. As Erskine has observed, correctly:

It should be noted, moreover, that the debilitating internal structural adjustment programmes have taken their toll even on the relatively affluent countries of Nigeria and Ghana within the group. Much of the Nigerian contingent was transported to Liberia in commercial planes because many of the airforce's transport planes were out of service due to lack of spares. Guinea and the Gambia, in particular, were constrained to appeal to Nigeria for logistic support.

The relevant logistical and administrative problems encountered by the Forces included inadequate combat intelligence and topographical maps. Even where they existed, they were either inadequate or were unreliable. This tended to give an advantage to the warring factions. The NPFL and ULIMO forces were able to move around more freely than those of ECOMOG, obviously due to their familiarity with the terrain. Apart from that, the NPFL refused the deployment of ECOMOG Armoured Personnel Carriers (APCs) along with the troops in its area coupled with the uncoordinated network of roads made mutual support and resupply very difficult.

Accommodation is one other area where there was a serious problem both in Chad and Liberia. The NPFL Commandos adopted an administrative policy of no housing for ECOMOG. This was however later

²⁴Quoted in *African Confidential* 33, no. 23. The views of other nationals on the total control of ECOMOG, See also *African Confidential* 33, no. 11, and *West Africa*, 12-18 November, 1990, 2836 See also, E.A. Erskine, "Case for Regional Peacekeeping in Liberia", 22, and Amadu Sesay, "The Limits of Peacekeeping by a Regional Organisation: The OAU Peacekeeping Force in Chad", in *Conflict Quarterly* XI, no. 1, (Winter): 1991, 7-26, and also *The Peacemaker* (ECOMOG Magazine) 1, no. 2 (April-September 92): 11-12.

solved through the utmost maturity, patience and perseverance of the ECOMOG Commander to extract the desired assurance from the warring factions that their "area boys and commandos" would indeed cease hostilities and unfriendly acts against the ECOMOG.

There was apparently a communication gap between the Field and contingent commanders and their political headquarters, ECOWAS in Lagos, Nigeria. This obviously affected the co-ordination of the operation. The various force commanders from September 1990 to May 1993 ran the force without much reference to the Executive Secretary of ECOWAS. In fact the Commanders were frequently in Lagos and later Abuja to receive their orders from the Nigerian military leadership. No attempt was made to establish a command structure within the ECOWAS headquarters to provide the military or the political leadership to the force in Liberia.

Finance

The Liberian operation did not face much financial problems. However, ECOWAS could not convince a large number of to contribute troops to ECOMOG because of the expenses of financing the troops. Even Senegal, which sent in 500 men, was financed by the United States and eventually withdrew in December 1992, after six months. It should be admitted that because of the sensitive nature of defense spending, this author could not get the actual amount spent by ECOMOG. However, according to African Report, as of January 1993, the Nigerian government had spent well over \$350 million during ECOMOG's two years

life span.²⁵ This one sidedness seriously weakened hopes of this collective security action, creating the impression among observers that ECOMOG was deployed to serve Nigeria's foreign policy interests in the sub-region... and extend the Anglo-phone sphere of influence.

Conditions of Disengagement

The effective implementation of the security system depends on two criteria:

- (1) Whether the immediate military objectives facing a peacekeeping can be attained.
- (2) Whether the necessary political objectives can be attained. The political objectives must therefore include a realistic appraisal of the relative strengths of the different groups involved, and the prospects of inducing or forcing them to accept a political settlement.

ECOMOG was in Liberia to maintain order, pending the establishment of an elected Liberian government which would resume its responsibilities. From the time of the installation of Interim Government of National Unity (IGNU) onwards, the formal conditions for ECOMOG disengagement were clear, the creation of necessary conditions, supervision of general and presidential elections which should be held within twelve month. At that point, ECOMOG would be able to withdraw -- though residual missions might remain behind for the purposes such as training the new armed forces. This essential scenario was repeated with the

²⁵Derryck in *African Report* (January-February 1993), 71.

Table 4

SUMMARY OF ECOMOG STRENGTH AS AT JUNE 1994

Serial	Contingent	Officers	Soldiers	Total	Remarks
(a)	(b)	(c)	(d)	(e)	(f)
1.	GAMCON	1	9	10	
2.	GHANCON	73	1,048	1,121	
3.	GUCON	140	440	580	
4.	LEOCON	16	348	364	
5.	MALICON	3	7	10	
6.	NIGCON	442	7,489	7,931	
7.	TANCON	41	733	774	
8.	UGACON	53	731	784	
	TOTAL	769	10,805	11,574	

Source: ECOMOG Headquarters, Monrovia.

Yamoussoukro IV agreement and the Cotonou Accord.

The problem, of course, was that the conditions were not met, as the result of the non-implementation of the various accords. Especially as it came under challenge from NPFL, ECOMOG faced the dilemma that affects a very high proportion of peacekeeping forces. Either to increase its forces, in order to meet the demands required to fulfill its mission; or, to get out ignominiously and abandon the operation -- like the US retreat from Somalia. In the case of ECOWAS, in order to fulfill its mission, especially after Taylor's attack on Monrovia that led to its change of mission to peace enforcement. Thus, there had been successive increases in the size of the force from the initial 2,500 in August 1990, 6,000 in September 1990 and 11,574 in February 1993²⁶ (See Table 4).

The Cotonou Accord of July 25, 1993 created the conditions for disengagement by supplementing ECOMOG with non-ECOMOG African forces. The long-awaited, African peacekeeping force, the so-called "Expanded ECOMOG" forces, arrived on 7 January 1994 with 750 and 150 men from Tanzania and Uganda respectively,²⁷ with 300 UN observers that were to take part in the disarming of the combatants (See Table 4).

Eventually, ECOMOG tried to disengage by broadening the operation from the ECOWAS sphere to an African and UN one. This has increased the credibility of the force and strengthened the moral pressure on all the parties to abide by the terms of the peace accords. The disengagement is not yet completed, but this offers the best prospects so far of a successful disengagement.

As a new nationally elected government assumed office in Liberia in July

²⁶The strength of ECOMOG 13, 500 as of January 1993, See *West Africa*, 25-31 January 1993, 202.

²⁷See "Hopes for Peace" in *West Africa*, 17-23 January 1994.

1997, the country still require the presence of an external security and police force until a new national army is created and trained. This factor has led to the extension of external security presence in Liberia beyond the time table scheduled for the peace process. Once the new Liberian Armed Forces were able to meet their responsibilities, ECOMOG would be withdrawn. Liberians would then face the task of rebuilding their nation through the period of reconstruction, rehabilitation and reconciliation. Here the Cambodian peculiar and historical experience after the Civil War is worth mentioning.

Lessons for Southeast Asia

A major source of regional insecurity has been the conduct of governments within states. For as Jusuf Wanandi puts it, most of the Southeast Asian states especially Indonesia and Vietnam had not had an ordinary and transparent transfer of authority in their recent history.²⁸ The achievement of good government within South-east Asian states is therefore a further essential condition for regional security.

The key element is the capacity of the people to manage change in a dynamic world: to understand ongoing changes in the world, predict as yet unexperienced future changes and to respond flexibly, effectively and in good time to them. Just as the West African sub-region has been

able to take a concerted action as a means of preserving regional destabilisation, the Southeast Asian states did face such challenges recently during the Cambodia crisis. In this connection, a viable regional security system must rest on the acceptance by Southeast Asian states of "rules" which relate their political structures to their relations with one another.

Thus, eight dominant themes/lessons emerged in the analysis.

First, the most basic conclusion is that an effective system of regional security/peacekeeping in Asia, and notably in Southeast Asia, is a feasible objective. Despite all the difficulties it might take in attaining it, the experiences of regional peacekeeping in Liberia provide a basis from which, when the appropriate lessons have been learned, this objective can be achieved.

The key lesson to be derived from West Africa experience, is that one major source of regional insecurity has been the relationships between governments and political factions within the region, and external powers, whether these are super-powers or former colonial powers. The connections between individual states or factions and external powers make conflicts very difficult to resolve. With the end of the Cold War, and the decline of post-colonial ambitions, the external connections of conflicting parties in regional conflicts are being reduced. Such a reduction is a requirement for effective regional security. One important indicator of reduced external dependence is the reduction in external arms supplies, and the creation of effective mechanisms for arms control.

²⁸See Jusuf Wanandi, "Confrontation on Human rights", *Indonesian Quarterly* XX1, no. 3 (Jakarta, 1993): 246, also "Old and New Strategic Developments in the Asia Pacific" XXV, no. 2 (1997): 191.

The third lesson, and one related to the second, is that conflicts within states readily affect their neighbours, through cross-frontier operations, support by states for opposition movements in neighbouring states, the mass movement of refugees, cross-border arms flows, and the contagion effect of conflict in one state on its neighbours. The analysis reveals a very marked discrepancy between the actual nature of regional security and insecurity, and the established conventions of unfettered state sovereignty and non-intervention in internal affairs of other states.

Another key lesson to be derived from the West Africa peacekeeping experience is that Regional security is most effectively monitored and assured at the sub-regional level. Continent-wide organizations generally cannot be relied on to provide security, since the continent is so large and states in different regions may not share the same concerns about security. The maintenance of a continental concern is nonetheless important, because of shared identities between Asians and the need to create a common Asian viewpoint in order to deter external intervention. Particular difficulties arise where, as in Vietnam, a conflict crosses the boundaries between sub-regions.

Yet another lesson is that within sub-regions, an effective structure of leadership is needed for regional security. A leading actor is almost always needed to initiate and co-ordinate action; the role of Nigeria in ECOMOG is in this respect closely analogous to that of the United States in the Gulf conflict of 1990/91. Leadership cannot however be entirely divorced from

issue of power and hegemony. It is therefore essential that the leading state should abide by the agreed principles of domestic government outlined above, that its leadership role should be accepted and respected by other states in the region, and that it should accordingly seek to maintain consensus among these states through appropriate consultation. Both continental organizations (OAU) and global ones (UN) may provide legitimation for the role of sub-regional leaders, but may also provide a forum where discontented states may appeal against the authority of these leaders.

The ECOMOG operation have demonstrated that the maintenance of regional security raises extremely complex political issues, especially when it involves intervention in states where order has broken down. A fully effective regional security system would ensure that potential conflicts were resolved before they had reached the stage at which intervention was needed. Where intervention does take place, very careful political judgement is needed. Intervention forces almost inevitably become a factor in the domestic politics of the state concerned, and require clear and achievable political goals. This requirement becomes all the more essential when intervention forces move from straight forward peacekeeping to peace enforcement.

Finally, this analysis have likewise drawn attention to a number of very important operational requirements for effective peacekeeping forces, including notably the need for sub-regional organizations to be able to call on appropriate forces from member

states, and for clear command structures, information-gathering services, logistical backing, operational procedures, and financial support.

Conclusions

The paper has given the analysis of the conditions for effective multinational peacekeeping, in the extremely difficult circumstances occasioned by state collapse, and drew lessons for future operation of this kind in Southeast Asia. It succeeded admirably in isolating the critical variables required for success, in terms of the structure of regional security and the implementation of appropriate action in each specific case. It also drew some useful practical conclusions relating to issues such as force management, command structure and logistics.

The lessons above could be regarded as leading to recommendations, such as: Regional security requires Southeast Asian states to emphasise and strengthen, wherever possible, those interests that they have in common, while seeking to overcome those that divide them. Regional security likewise requires states to develop workable conventions on the conduct of their domestic governments, including implementation of democratic political systems. The convention of non-interference in internal affairs of other states needs to be replaced by a recognition that all states have a legitimate concern for the means by which their neighbours are governed.²⁹

²⁹Aderemi Ajibewa, "A framework for Internal Regional Conflict Resolution in the Southeast Asia Context", *Indonesian Quarterly* XXV, no. 2 (1997): 184.

This does not necessarily involve any right of intervention, but would certainly extend, for example, to discussion of internal political conditions within member states at meetings of regional bodies.

Administrative and logistics support for troops in the field is one of the crucial principles of peacekeeping. While one realizes and appreciates the potentiality of political limitation of the ASEAN Executive Secretary, some form of advance planning is required to facilitate the coordination and the management of conflict. To achieve this, at least a small conflict management unit is required at the ASEAN Secretariat. The newly established Peacekeeping Centre requires staff who are experts in Law, refugee and humanitarian relief matters. The staff would be engaged in monitoring conflict situations, gathering and analyzing information and establishing an "early warning system" which should guide the Executive Secretary.

In view of scarcity of funds and logistics, it is impossible to assemble the peacekeeping facilities at very short notice. Pre-determined support from Member states is suggested. With a defence force which will be responsible for regional defence and the maintenance of internal security and peacekeeping, independent countries will have to provide authority as a matter of course, for the contribution of troops to meet requests for military aid through the command. To be sure that their generosity is not abused or over stretched, some principles have to be laid down that will guide potential requesting governments to avoid unpleasant situations. These principles and preconditions require a high level of political con-

gruence of interest, commitment, rules and aspirations among sub-regional actors. In short, they must all operate from position of "Southeast Asia first".

There is of course, the fundamental issue of an acceptable level of interference in domestic politics by a peacekeeping and defence force. Though some critics may see such action as an interference in the domestic politics and sovereignty of independent states, it would appear that this interference is to be preferred to persistent instability that normally results from coups d'état or regimes generally known to lack a popular base.

It is easier to devise criteria as to who should contribute forces and how many, than to devise criteria for who should request military aid and the procedure that the force should follow. There needs to be some criteria for legitimate and effective performance of the force in conflict or trouble spots in the sub-region:

- (a) A government would only be able to request support provided that it had met the internal criteria of democracy and human rights;
- (b) It must appear to the intervening forces that the requesting government has a clear support of a majority of its population. Requesting government must be demonstrably responsible to the need of the people;
- (c) The attack or insurgency, must unquestionably be substantially supported, if not directed by an external power;
- (d) Intervention must have at least the acquiescence of the majority of the coalition regional actors.

It is pertinent to mention here, that as discussed under peacekeeping and peace enforcement above, the requirement that the intervening force be acceptable to all parties in the conflict can only apply to peacekeeping; once one accepts that regional security must ultimately take precedence over the demands of individual parties to the conflict, it must be possible to proceed, if peacekeeping fails, to measures for peace enforcement which are not acceptable to all parties.

Therefore, the ability of the sub-regional or regional organization to successfully establish a force for the region depends to a large extent on two factors. *First*, the ability of the regional actors to broadly agree on "rules" whether tacit or explicit, in order to provide a generally acceptable solution, even if it involves some actors being pressurised to accept it and, *second*, the organizational ability to successfully articulate the type of pressure facing the continent in the new millennium.

Once this is done, it will be easier to reach a formula for meeting the principles governing all forms of security, especially if the leaders realize that democratic systems that respect human rights and seek equitable economic growth are the best guarantees of peaceful change and stability. Of course, it is important to recognize the structural distortions and contradictions of neo-colonial development which also militate against the building of effective consensus and autonomy in the continent. Once a good number of important members of the Organization are interested and committed to providing the necessary support, enough consensus of opinion can

always be gathered through progressive confidence-building measures to elicit the acceptance of the other smaller parties.

It may also be useful to note that the regional leader may not be able to rely on consensual mechanisms, but may also have to impose some pressure or inducement on recalcitrant regional states which are not prepared to accept the verdict of the majority. Even in the case of Liberia where there was a clear case for intervention, dissenting countries like Burkina Faso and Cote d'Ivoire still stood against reason by not only refusing to contribute troops to ECOMOG but also supporting the rebels. These problems would have to be handled together, a requirement which makes the task even greater and more urgent in view

of the complexity of the issues which the region presents. The emphasis here is that since Southeast Asian troops has been on UN peacekeeping and peace-making missions in Somalia, Liberia and Yugoslavia, there is the need for some amount of pre-planning against the next peacekeeping mission. Peacekeeping is obviously preferable if it can be managed, and the first obligation of any regional conflict management structure must be to try to find a formula to which all the major conflicting parties can agree, and which then needs to be monitored through a peacekeeping mechanism. But if one (or more) of the conflicting parties refuse to agree, then the regional organization must either resort to peace enforcement, or else abandon the attempt to achieve security.

Social and Economic Consequencies of International Labour Migration: Indonesian Case*

Prijono Tjiptoherijanto

THE benefits of international labour migration to the national social and economic development depends on the national economic, human resources, and demographic condition of each country. The Philippines, for example, is receiving the benefits from international migration process due to the readiness of her human resource condition. On the contrary, Indonesia has experienced the financial loss from this phenomenon due to low quality of her human resources.

Despite deficit in the international transfer of payment, the effect of globalization and domestic labour force condition forced the Indonesian Government to manage her international labour migration even more. Since the Sixth Five-Year Development Plan (*Repelita* VI: 1993-94-1998/99) policy towards exporting the workers has shifted from the export of uneducated workers to

the export of the educated or the more skilled ones. The Government has set the quota of the unskilled migrants from 80 per cent of total workers in 1995 to around 20 per cent in 1999.

Reasons for Migration

A variety of theoretical models have been proposed to explain why international labour migration begins. Micro neoclassical economics focuses on differentials in wage and employment conditions between countries, and on migration costs; it generally conceives of movement as an individual decision for income maximization (Todaro & Maruszko, 1987; Todaro, 1989). According to this approach, people decide to migrate because of the cost-benefit calculation which leads them to expect a positive net return from movement. International migration is regarded as a form of investment in human capital. People choose to move to place where they can be most productive, given their skills. However, before they can earn

* Paper presented at the 6th. International Convention of the East Asian Economic Association, Kitakyushu, Japan, 4-5 September 1998.

higher wages associated with greater labour productivity they must undertake certain investment, which include material costs of traveling, maintenance while moving and looking for work, the effort involved in learning a new language and culture, the difficulty experienced in adapting to a new labour market, and other psychological costs.

In the contrast, macro neoclassical economics approach explains labour international migration in the process of economic development (Harris and Todaro, 1970; Todaro, 1976). International migration is caused by geographic differences in the supply of and demand for labour. Countries with a large endowment of labour relative to capital have a low equilibrium market wage, while countries with a limited endowment of labour relative to capital are characterized by a high market wage, as depicted graphically by the familiar interaction of labour supply and demand curves. Differences in wages have caused workers from the low wage country to move to the high wage country. As the result of this movement, the supply of labour decreases and wages rise in the capital-poor country, while the supply of labour increase and wage fall in the capital-rich country, leading, at equilibrium, to an international wage differential that reflects only the costs of international movement, pecuniary and psychic.

The flow of workers from labour-abundant to labour-scarce countries is a flow of investment capital from capital-rich to capital-poor countries. The relative scarcity of capital in poor countries yields a rate of return that is high by international standard, thereby attracting investment. The movement of capital also includes human

capital, with highly skilled workers moving from capital-rich to capital-poor countries in order to reap high returns on their skills in a human capital-scarce environment, leading to a parallel movement of managers, technicians, and other skilled workers. The simple explanation of international migration offered by neoclassical macroeconomics has strongly sharpened public thinking and has provided the intellectual basis for much immigration policy. The perspective contains several propositions and assumptions such as:

1. International labour migration is caused by differences in wage between countries;
2. The elimination of wage differentials will end the labour migration;
3. Labour markets are the primary mechanism by which international flow of labour is induced; other kinds of markets do not have important effects on international migration;
4. The way for governments to control international migration is to regulate or influence labour markets in sending and/or receiving countries.

In the recent years, a "new economics of migration approach" has arisen to challenge many of the assumptions and conclusions of neoclassical theory.¹ This new approach argues that migration decisions are not made by isolated individual decision, rather than by larger units of related people-typically families or households -- in which people act collectively not only to maximize expected income, but also

¹Oded Stark and David E. Bloom, "The New Economics of Labor Migration", *American Economic Review* 75 (1985): 173-178.

to minimize risks and to loosen constraints associated with a variety of market failures, apart from those in the labour market.²

Unlike individual, households are in a position to control risks to their economic well-being by diversifying the allocation of household resources, such as family labour. While some family members can be assigned to do economic activities in the local economy, others may be sent to work in foreign labour markets where wages and employment conditions are negatively correlated or weakly correlated with those in the local area. In the event that local economic conditions deteriorate and activities there fail to bring in sufficient income, the household can rely on migrant remittances for support.

The theoretical models growing out of the "new economics" of international labour migration have a set of propositions and assumptions such as:

1. Families, households, or other culturally defined as units of production and consumption are the appropriate units of analysis for migration research, not the autonomous individual;
2. A differential wage is not a necessary condition for international labour migration; households may have strong incentives to diversify risk through transnational movement even in the absence of differential wage;
3. International migration does not necessarily stop when differential wage be-

tween countries has been eliminated. Incentive for migration may continue to exist if other markets within sending countries are absent or imperfect;

4. The same expected gain in income will not have the same effect on the probability of migration for households located at different point in the income distribution, or among those located in communities with different income distributions;
5. Governments can influence migration rate not only through policies that influence labour markets, but also through those that shape insurance markets, capital markets, and futures markets. Government insurance program particularly unemployment insurance can significantly affect the incentive for international migration;
6. Government policies and economic changes that affect the distribution of income will influence international migration independent of their effects on mean income. In fact, government policies that produce a higher mean income in migrant-sending areas may increase migration if relatively poor households do not share in the income gain. Conversely, policies may reduce migration if relatively rich households do not share in the income gain.

Although neoclassical human capital theory and the new economics of migration lead to divergent conclusions about the origins and nature of international migration, both are essentially micro-level decision models. What differs is the unit assumed to make the decision (the individual and the household), the entity be-

²J. Edward Taylor, "Differential Migration, Network, Information and Risk" in Oded Stark (ed.), *Research in Human Capital and Development*, Vol. 4, *Migration, Human Capital, and Development* (Greenwich, Conn.: JAI Press), 147-171.

ing maximized or minimized (income and risk), assumptions about the economic context of decision making, and the extent to which the migration decision is socially contextualized (whether income is evaluated in absolute terms or relative to some reference group). Apart from these models of rational choices, the Dual Labour Market Theory and World Systems Theory are away from decisions made by individuals. These theories argue that international migration stems from the intrinsic labour demands of modern industrial societies and the structure of the world market.³

Piore, the most forceful and elegant proponent of Dual Labour Market Theory, argues that international migration is caused by the permanent demand for immigrant labour that is inherent to the economic structure of developed nations.⁴ According to Piore, immigration is not caused by the push factors in sending countries (low wage, high unemployment, etc.) rather than by pull factors in receiving countries (a chronic and unavoidable need for foreign workers). Furthermore, inspired by the work of Wallerstein in 1974, several sociologists such as Sassen and Morawska, developed the World Systems Theory. According to the World Systems Theory, migration is a natural outgrowth of disruptions and dislocations that inevitably occur in the process of capitalist develop-

ment. As capitalism has expanded outward from its core in Western Europe, North America, Oceania, and Japan, ever larger portions of the globe and growing shares of the human population have been incorporated into the world market economy. As land, raw materials, and labour within peripheral regions come under the influence and control of markets, migration flows are inevitably generated, some of which have always moved abroad.⁵ Since various theories proposed to explain the reasons to migrate at many levels of aggregation, these theories are not necessarily contradictory unless one adopts the rigid position that causes must operate at one level only. However, it finds no a priori grounds for such an assertion.⁶ It is entirely possible that individuals engage in cost-benefit calculations; that households act to diversify labour allocations; and that the socio-economic context within which these decisions are made is determined by structural force operating at the national and international levels. It is then believed that causal processes relevant to international migration might operate on multiple levels simultaneously, and that sorting out which of the explanations are useful is an empirical and not only a logical task. Each model must be considered on its own terms and its leading opinions examined carefully to derive testable propositions.

³Douglas S. Massey, et. al., "Theories of International Migration: A Review and Appraisal", *Population and Development Review* 19, no. 3 (1993): 431-216.

⁴Michael J. Piore, *Birds of Passage: Migrant Labor in Industrial Society* (Cambridge: Cambridge University Press, 1979).

⁵Douglas S. Massey, "International Migration and Economic Development in Comparative Perspective", *Population and Development Review* 14 (1989): 383-414.

⁶Massey, *Theories of International*.

International Labour Migration and National Development

Free labour migration among countries in the long run could encourage the economic development for each country. However, in the short time the international labour migration will depress the economic development of certain countries particularly if the migration's flow occurs between the developed and developing countries. In this case, even though the number of out-migration is much higher than the number of in-migration, the developing country may suffer economically since the amount of remittance from the workers who are working abroad is much lower than the amount for paying the foreign workers.

Awareness of the relationship between international migration and economic development has been greatly enhanced by the work of the U.S. Commission on International Migration and Economic Development (U.S., 1990). The Commission directed its attention to conditions in Mexico and other sending countries which has contributed to unauthorized migration to the U.S. While acknowledging that there was no simple relationships between migration and development, the Commission nonetheless concluded that development, if sustained, can eventually reduce "emigration pressure" in sending countries but it may take several generations for the process to run its course. Indeed, in the short-term (20 to 30 years) rapid and successful economic development is profoundly destabilizing on developing countries and generally tends to increase impetus towards out-mi-

gration rather than moderate it.⁷ In the long-term (more than 50 years), however, the development approach to restraining emigration pressure offers "real promise", especially if there is strong emphasis on the abandonment of restrictive trade and investment practices in both sending and receiving countries.

As the development process influences migration, the international migration also has an impact on development patterns. Emigration can ease the employment problems in sending countries by relieving labour market pressures and generating remittance earnings, improving quality of life at home and contributing to social change. On the other hand, emigration can also hamper the pace of development as the most ambitious persons are the ones most likely to emigrate, the loss of skilled workers could hinder economic growth.

Economists have become increasingly aware of the need to consider changes in a country's socio-economic structure in order to explain patterns of international migration. As country's socio-economic structure has developed, changes in productivity, infrastructure and capital output ratios have created new aggregate and specific demands for labour. During periods of rapid economic growth, immigrations with appropriate skills represented a cheap and effective medium for satisfying unfilled labour demand. How-

⁷Russel 1992 and Martin, 1993 also stated that the trade liberalization in specific term and economic development in general term in the short run (2 or 3 decades) will increase worker's incomes and ability to cover the cost of migration. Consequently, international migration rate will increase.

ever, other social scientists for example Kingsley Davis tries to explain the patterns of international migration more accurate.⁸ Davis argues that international migration flow depends on three propositions. *First*, international migration depends more on political and social requirement than on the free play of market forces; *second*, when and where market forces do prevail (i.e., in the absence, and sometimes in spite of political, religious and ethnic constraints), migration goes towards countries with a high technology and/or a higher ratio of resources to people, and *third*, as a result of those previous propositions, international migration in any given period is determined by the prevailing international situation.

So even though the international labour migration is an economic phenomenon, but in reality there are many non-economic factors contributing to the international labour migration process. Government traditionally insists that they will decide the number and composition of immigration on grounds that such intakes should facilitate overall objectives for socio-economic development.⁹ Migration and their compositions reflect the receiving government's perception of the role that international migration will play in the achievement of plans for the national socio-economic development. While this does not address the issues of who are in a sending country may respond to migration opportunity, it does hypothesize

that receiving government permit entry only to those who will contribute to the achievement of government objectives for socio-economic development. There is an international migration transition according to the national economic development.¹⁰ Emigration would therefore be high during early stages of modernization when low per capita incomes and opportunities push many persons to leave for another country at higher stage of modernization. However, as the sending country proceeds through modernization, the volume of emigration declines because per capita income has increased, thus reducing the pressure to emigrate.

Furthermore, Martin (1996) stressed that beside the economic, demographic situation in each country is also considered by its government to formulate the international migration policy.¹¹ The developed countries in Asia, such as Japan, Taiwan, South Korea, Hong Kong, Singapore, Malaysia, Brunei or Kuwait with a low level of population, especially labour force growth, are experiencing increasing labour shortages and consequently need to import worker from overseas. However, some of those countries are considered to be successful in avoiding the rush of immigration people through promoting the restructuring of industries and reallocation of labour-intensive industries. Unless changes in international economic policies are forthcoming, the next wave of

⁸Kingsley Davis, "International Inequality and Migration in Middle East and North Africa". *Population Bulletin of ECWA*, no. 2 (1981).

⁹R.T. Appleyard, "Migration and Development: A Critical Relationship". *Asian and Pacific Migration Journal* 1, no. 1 (1992): 11-29.

¹⁰Ibid.

¹¹P. Martin, "Leading Issues in Asian Labor Migration". Paper presented at the Nihon University International Symposium on "the Dynamic of Labor Migration in Asia", Tokyo, Japan, 6-8 March 1996.

international migration is just in front of us. It needs to construct the comprehensive transnational policy which covers the whole range of economic, financial, and social (including education and migration) policies.¹²

Therefore, in order to manage international migration more precisely, it is necessary to construct the comprehensive approach in international relations. The bilateralization of migration may also become linked to other bilateral issues-trade, investment, aid, water resources, and environment -- involving therefore a variety of bureaucratic agencies hitherto not included in considerations of migration. Any examination of the internationalization of migration issues must entail a close study of the changing intra-bureaucratic relationships within both sending and receiving countries.

International Labour Migration and Indonesian Socio-Economic Development

Study on international migration in Indonesia is very limited. So far, there is no such comprehensive study on the relationships between the international labour migration and national economic development. At least there are two reasons why this happened. *First*, international migration issues are considered relatively less important compared to other population or economic issues; and *second*, the small number of international migration makes development of the study's methodology difficult.

Most of international migration studies in Indonesia rely on a neoclassical economic approach -- both micro and macro. Researchers believe that differentials in wage between Indonesia and other countries as well as the differentials in supply and demand for labour are the primary reason for international labour migration from Indonesia.

Indonesian Labour Working Abroad

Like other developing countries, Indonesia has problems in dealing with employment. The population structure is characterized by large number of population, high population growth; and the age composition is still considered "young" and "expansive" which influenced the surplus of labour force. During 1980-1985, percentage of labour force was 42 per cent and has increased to 47 per cent of total working age population in 1995. During 1990s, labour force has been increased by 2.9 per cent annually, which is higher than the population growth itself (around 1.8 per cent per annum). Since the economic activities could not absorb the whole labour force, it therefore creates social and economic problems for the country. Regardless the concept of unemployment in Indonesia,¹³ the percentage of unemployment during the last ten years are constantly at 4 to 7 per cent. However this figure is be-

¹²Appleyard, *Migration and Development*.

¹³In Indonesia, the term "workers" refers to all persons who work for pay or assist others in obtaining pay or profit for the duration at least one hour during the survey week. Furthermore, persons categorized as unemployment if he/she did not have any job (working less than one hour during survey week).

Table 1
AVERAGE WAGES IN
MANUFACTURING SECTOR IN
SEVERAL ASIAN COUNTRIES IN 1980 & 1990
(in US dollar)

Country	Wages per Worker		
	1980	1990	Growth per year
South Korea	2,735	4,733	5.48
Taiwan	2,962	5,936	6.95
Thailand	1,342	1,528	1.30
Indonesia	676	1,065	4.55
Hong Kong	4,043	6,264	4.38
Singapore	4,757	7,892	5.06
Malaysia	2,273	2,901	2.44
Philippines	1,085	1,642	4.14

Source: Passay, et. al., 1995.

lied much lower than in reality. The unemployment condition and level of wages in Indonesia that are far below the neighbouring countries such as Malaysia or Singapore (see Table 1) force people to migrate to other countries.

As a pressure of unemployment situation and the differences in wages, the number of Indonesian worker who work abroad tend to increase constantly. In 1983, the number of Indonesian workers who work abroad was 27,671 persons and it increased to 158,750 persons in 1992. During the Fifth Five-Year Development Plan (1989-1994), the Ministry of Manpower predicted that the number of Indonesian workers who work legally abroad were 641,000. However, many scientists believe that the real number of emmigrants is much higher than the above number. The fact-finding from several neighbourhood countries regarding the illegal migrants from Indonesian convinced that the actual number of emmigrant from Indonesia is much higher than the legal migrant represented by the government's report.

There is an interesting figure of Indonesian migrants composition by sex. In 1983, the number of female was 11,995 or 43.3 per cent of the total migrants while the number of male was 15,676 or 56.7 per cent. However, in 1992, the number of female migrant was much higher than the number of male migrants (107,142 women compared to 51,608 men). During 1983 to 1992 in average, the annual growth rate of female migrant was 12.1 per cent while the annual growth rate of male migrant was only around 6.3 per cent. There are two reasons for taking the increased number of female workers who work abroad into account. *First*, most of the female migrants work in domestic services which is very weak in security; and *second*, many of them are married-women which could create various problems for family development.

Most of Indonesian work abroad in domestic services, followed by transportation and agriculture sectors. During the year of 1984 to 1988 (Table 2), the percentage of Indonesian labours who work in do-

Table 2
PERCENTAGE DISTRIBUTION
OF INDONESIA MIGRANT WORKERS
BY OCCUPATIONAL GROUP 1984-1988

Occupations	1984	1986	1988
Agriculture	8.28%	29.34%	3.34%
Mining	-	-	0.01%
Industry	-	-	0.00%
Electricity	0.95%	-	0.06%
Construction	3.47%	0.52%	0.34%
Trade and Hotel	1.59%	0.72%	0.12%
Transportation	27.20%	12.54%	17.53%
Company Services	1.36%	0.72%	0.48%
Domestic Services	57.16%	56.16%	78.14%
Others	-	0%	-
Total	100%	100%	100%

Source: University of Indonesia, 1995.

mestic services even tends to increase while workers who work in other sectors tend to decrease. This is unfortunate since the domestic services sector is far from protection. Protection becomes more difficult since many migrants who work in domestic services sector are illegal migrants. A quite similar condition regarding the protection also appears in the agriculture sector, i.e. plantation. Many Indonesian workers who work in plantation primary in Malaysia are illegal migrants. These illegal migrants work without any social security, medical facilities, and other non-payment benefits. In the mean time, ILO predicted that in 1993 the number of highly skilled workers of Indonesia who work abroad is around 20,000.¹⁴ Most of them are expatriates and long-term highly skilled migrants.

Because most of the labours working abroad are female, the problems they have are also often related to the fact that they are female -- some are sexually abused. Some have to work very hard with low amount of money. Some complained that their money were withheld by their employers. Even there was a case that female worker was executed in Saudi Arabia because of being accused to have killed her employer. The case of mistreatment is often heard among those who work in Middle East. There are also similar cases experienced by Indonesian female workers working in Singapore, but some are said because the workers sent by firms which ar-

range the sending of Indonesian labour were not of the quality requested. The Indonesian labours are also often blamed for crimes happening in receiving countries particularly in Malaysia.

Sending labour abroad has become a very profitable business, by exploiting the labours. All Indonesian going abroad must pay 250,000 Rupiah for each departure (regulation before 1998). However, they can be waived for this tax, if they can prove that they have paid an amount of 200,000 Rupiah to *Yayasan Pengembangan Sumber Daya Manusia Indonesia* (Foundation of Indonesian Human Resource Development), 50,000 Rupiah for *dana pembinaan* (education funding) to the Ministry of Manpower, a contribution of 10,000 Rupiah to APJATI (Association of Indonesian Labour Sending-Firms), and 70,000 Rupiah for insurance in PT Jamsostek. In total, labours have to pay 330,000 Rupiah and be waived for fiscal tax. Most of Indonesian labours have to fly with Garuda Indonesian Airways, Royal Jordan, Gulf Emirate, or Air Pakistan.

The mushrooming of "illegal" workers is because the relatively very expensive cost for formal procedures. On the other hand, the costs of recruitment from the users in Saudi Arabia for example, had been raised from US\$900 to US\$1,000 per workers. However, many users did not want to pay it and, instead, they took the illegal procedures. There is one agent in Saudi Arabia called *Maktab Istiqdam* which can offer one Indonesian worker for about US\$850 for this cost. This agents took US\$100 profit for one Indonesia labour. Thus, the agent only paid US\$750 to the

¹⁴P. Gardner, "Service Provider: A Growing Dimension of Highly Skilled Labor in Asia". Paper presented at the Nihon University International Symposium on "the Dynamic of Labor Migration in Asia", Tokyo, Japan, 6-8 March 1996.

PJTKI (the Indonesian Labour Sending Firms). Yet, the PJTKI had to spend at least US\$900 instead of US\$850, if it follows all the legal procedures. Thus, this condition may be the cause of the raising illegal procedures taken by the Indonesian labours working in Saudi Arabia. The legal costs is much higher than the market price of sending Indonesian labours to Saudi Arabia.

It is then proclaimed that bureaucracy has created the "price" of sending labours, especially the unskilled labour, unnecessarily higher than the market price. It is nowonder that many illegal procedures took place. This illegal migrants phenomenon creates the problem both for Indonesian Government and the government of receiving countries.

The remittance from Indonesian workers who work abroad may be relatively large. In the year of 1993/94 it was predicted only as much as US\$800 million (University of Indonesia, 1995). This remittance is only accounted through the legal channel not including that sent back through informal channel such as friends. According to Bank of Indonesia's data, the remittances from Indonesian workers are estimated to increased from US\$90 million in 1987/88 to US\$344 million in 1994/95.¹⁵ At the macro level the economic contribution of labour international migration has an insignificant or even negative impact to the Indonesia macro economic development. Total remittance of workers who work

abroad was equivalent only to 0.2 per cent of GDP, 0.4 per cent of private consumer expenditure, and 0.8 per cent of gross domestic fixed capital formation. In contrast, total cost of foreign workers is much higher than the remittances.

Different to what the researchers estimated, The Minister of Manpower in his interview with *Tiras* magazine in 3 November 1997, said that Indonesians working in other countries have contributed about US\$5 billion in 1996. He estimated that the foreign exchange contributed even by Indonesian working abroad will reach US\$12 billion in the year of 2000. This amount is larger than the amount contributed by the tourism sector. The Minister then proclaimed that Indonesian workers who work abroad as the Foreign Exchange Hero.

At the micro economic level and at the family level, the outflow worker migration could improve quality of life of their families. Study done by State Ministry for Population and Environment R.I., 1988 in East Nusa Tenggara, found that the average remittance per month for every migrant from East Nusa Tenggara who works in Sabah, Malaysia was around Rp 63.000,00 or US\$50 (using exchange rate at that time). According to the local government' data, the total remittance sending from abroad in 1983/84 was 890 million Rupiah or US\$600 thousand. That amount is significantly valuable not only for migrant's family but also for local economic activities.

Other study done by State Ministry of Population/NFPCB (1994) in West Java showed that most international migrants could improve their standard of living. Around

¹⁵R. Amjad, "Philippines and Indonesia: On the Way to A Migration Transition". Paper presented at the Nihon University International Symposium on "the Dynamic of Labor Migration in Asia", Tokyo, Japan, 6-8 March 1996.

38 per cent of 270 respondents conformed that working abroad improve their standard of living, 59.3 per cent feel that their standard of living about the same level compared to what they reached before they migrated, and 2.7 per cent of them feel that their standard of living even worse.

Further analysis shows that 73.8 per cent of 270 respondents on that study confirmed that their income could be used for improving the quality of their housing, 38 per cent could improve the nutrition of their family, 50.6 per cent could improve their standard of living such as buying new cloths, 57.4 per cent could be invested on their children's education. Respondents also argued that the other positive impact of working abroad is that they have more knowledges and skills that could be used in their hometown after they come back and also they could help their families or neighbours to find the jobs abroad (chain migration process).

According to Martin, at the micro level, the effect of remittance could be seen in the housing are condition where the migrants' housing are relatively better than non migrants.¹⁶ Also migrants could afford to buy cars and appliances, and there seems to be considerable additional investment in schooling for children in migrant household. Labourers who work overseas could send their money back at least US\$2,000 per year and possibly twice as much. Furthermore, eventhough remittance is insignificant for the macroeconomic develop-

ment, the policy for exporting the worker is still needed since Indonesia still faces the labour force problems, especially problems of unemployment.

Foreigners Working in Indonesia

As a consequence of economic development, globalization and liberalization of trade such as international trade and direct foreign investment, the number of legal foreign workers who work in Indonesia is also increasing. This group of skilled workers is supposed to fill in the vacancy of the needed skilled worker for the progress of economic development. Currently, foreign workers not only come to Indonesia to accompany the flow of international capital but they also come to work for Indonesian companies. These skilled workers can not find attractive jobs in their own countries. Therefore, they move to other countries -- Indonesia -- In this sense, Indonesia also helps the developed countries to reduce their unemployment problems.

The number of foreign workers who worked in Indonesia during 1989 to 1995 had been increased from 17.998 persons to 57.177 persons. According to the Indonesian regulations, foreign workers are permitted only to work in an occupation that can not be done by any Indonesians. Therefore there is an unequal quality between exporting and importing of international labour in Indonesia. For Indonesia, there is a negative effect of international labour migration to the economic development. Total cost for foreign workers in Indonesia is predicted as much as 2,4 billion

¹⁶Martin, *Leading Issues in Asian Labour Migration*.

Table 3
MONTHLY SALARY OF FOREIGN WORKERS
IN 1995 (in US\$)

Position	Number	Average Monthly Salary (US\$)	Total
Manager	13,642	6,2650	85,150,000
Professionals	11,874	5,000	59,370,000
Supervisor	8,254	2,150	17,746,100
Technician/ Operator	23,407	1,600	37,451,200
Total	57,177		199,717,300

Source: Simbolon, 1996.

US dollar per year in 1994/95 (Table 3) compared to about US\$0.8 billion from Indonesian working abroad. This condition tends to aggravate the current account deficit.

Related to the above situation, government has been trying to increase the skill of the Indonesian workers working abroad. Since 1 January 1997, the Minister of Manpower has been collecting funding to develop skill and expertise of the workers. Every foreign worker has to pay US\$100 per month to help develop the skill and expertise of the Indonesian workers who plan to work abroad.

Government Policy on International Labour Migration

The policy to export the uneducated workers that was launched before the Sixth Five-Year Development Plan (*Repelita VI*) is an alternative to control the unemployment rate in Indonesia. But in *Repelita VI*, policy in exporting the workers from government has shifted in which the Government is promoting the exporting more of educated workers rather than uneducated workers (see Ministry of Manpower, R.I.,

1994). According to the government’s projection, during the Sixth-Five Year Development Plan (*Repelita VI*: 1993/94-1998/99), the quota for sending the skilled worker to work abroad increased from 20 per cent of total workers in 1995 to 80 per cent in 1998. It means in 1999, around 50 per cent of total Indonesian migrants or around 600 thousand Indonesian migrants will be educated or skilled workers.

Nevertheless, the domestic situation such as human resources condition, the number and the rapid growth of labour force, especially uneducated labour force, during the PJP II (the Second Long-Term Development Plan: 1994-2019) are some of the burden factors which encourage the Government to stipulate the policy of increasing the export of educated worker.

On the contrary, lack of well-educated workers and domestic economic growth are some of the push factors for importing the educated workers from abroad. If government tries hard to reduce or stop exporting the uneducated workers without giving an alternative solution for unemployment and underemployment in Indonesia, the rate of illegal migrants will even increase sharply. Besides, the policy on the promotion of the out-migration of well-educated workers will threaten the national development itself, especially the economic development process. Recently, during the “take-off” stage of economic development and due to the current domestic labour force structure, well-educated workers are really needed. The outflow of well-educated workers currently are really becoming a “brain drain” to the national development process.

Many domestic experts argue that instead of raising the issue of promoting the well-educated migrants or stop sending the unskilled workers, the more crucial issue that should be considered by Government of Indonesia (GOI) is how to protect the security of Indonesian workers in the country destination and also their family who are left behind in the country. The employment protection for Indonesian workers who work abroad during the pre-employment period, employment period, and post-employment period is needed to be developed immediately. For this purposes, it is necessary to improve the performance of "Professional Labour Force Service Enterprise" (*Perusahaan Jasa Tenaga Kerja Indonesia/PJTKI*), reliable banking system and Labour Force Security System (*Jaminan Sosial Tenaga Kerja*), employment contract and waging system, and labour returning to their original place.

Furthermore, the Indonesian Government also needs to develop a comprehensive planning of employment needs in other countries by exploring and analyzing the labour market in such countries and preparing the adequate training for migrant candidate. To this end, the right mechanism should be developed for labour force placement abroad, and the use of labour market abroad without forgetting about the nation dignity and reputation and the labour force protection. The improvement of manpower placement effectiveness and efficiency abroad aims to increase the country's income. It is then necessary to deregulate the labour recruitment and training, which is supported by an effective organization. To achieve the above target of the marketing of Indonesian labour force abroad, prior-

ity is given to skilled and professional labours. Planning for labour demands abroad, where the program has to be implemented intergratedly between Department of Manpower, PJTKI, and the related authorities, based on the concept of the Indonesia Incorporated needs to be realized.¹⁷

In sum, there are several efforts which should be taken by the Indonesian Government in order to boost the benefits of international migration for both national economic development and individual or family. These efforts include: (1) holding mutual collaboration with receiving countries; (2) the Government always monitoring the international labour market consisting of demand of employment, wages, cost for movement, etc.; (3) formulating international labour market information policy in order to provide the candidate with accurate information about the situation in receiving country. With such information, candidate will decide whether he/she is going to migrate or not; (4) in order to reduce the rate of illegal migrants, deregulating the procedure for sending migrant; (5) for returning migrants, it is better to guide them to invest their money in productive activities. Government should provide them with business skills, management, and marketing; and (6) for female migrants, it is better that the Government enlarges the job opportunities with appropriate wages so the level of female migrant can be reduced.

Considering the inflow of international migration, the use of foreign manpower should be done selectively in the framework of the optimum use of the Indonesian man-

¹⁷Direktorat Jasa TKLN, Depnaker, 1994.

power efficiently, and to urge the transfer of technology. In the free-trade era, the Government of Indonesia (GOI) cannot deny the coming of foreigners who intend to work in Indonesia. The issue is how to maximize the potential capacity of foreign workers to Indonesia's development objectives. Government needs to immediately identify and standardize the criteria and requirement of job available for foreign workers.

Conclusions

Recently, Indonesia has been faced with an excess of unskilled labour supply. Meanwhile some neighbouring countries, such as Malaysia, Singapore, Hongkong are sufficiently supplied with well-educated labour and experiencing shortages of unskilled labour supply. The unbalanced labour supply among Indonesia and other neighbouring countries has characterized the in and outflow international migration among these countries.

Direct analysis of the impact of international migration to current account found that the cost for foreign workers in Indonesia is much higher than the remittances of Indonesian workers who work abroad. To narrow the gap, the Indonesian Government then launched the policy on the improvement of the quality of Indonesian workers who work abroad. However, this

policy should be implemented carefully otherwise the number of the illegal unskilled migrant will increase sharply, and the phenomenon of "brain drain" will emerge.

Experts argue that currently the more crucial issue on outflow international migration in Indonesia is how to protect the security of Indonesian workers in the country destination and also their family who are left home. On the contrary, even though the government of Indonesia encourages the existence of foreign workers in Indonesia, for the national development purposes, the Government still needs to formulate the strategy to utilize the potential capacity of foreign workers.

Global situation, such as free trade and trade liberalization, foreign direct investment policy, loan and grant agreement policy will put Indonesia in the more difficult situation. If the Government is not taking a more serious attention on human resource development, in the future, inflow migrants from abroad to Indonesia is not just among the well-educated but also including uneducated workers. In fact, Indonesia has already had many problems to improve the employment's quality since the cost of training is very expensive. It is projected that the supply shortage of the well educated workers in Indonesia will occur until the end of the Second Long-Term Development Plan (PJP II: 2019).

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The Indonesian Quarterly

Centre for Strategic and International Studies

Jalan Tanah Abang III/23-27, Jakarta 10160, Indonesia

Phones: (62-21) 3865532 to 3865535, Fax: (62-21) 3847517; 3809641

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